



# Quarterly Progress Report Third Quarter 2001

The Egypt Capital Markets Development Project



CHEMONICS INTERNATIONAL INC.



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## ACRONYMS

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AIMR	Association for Investment Management and Research
ANNA	Association of National Numbering Agencies
AUC	American University in Cairo
BIS	Bank for International Settlements
CASE	Cairo and Alexandria Stock Exchanges
CACE	Center for Adult and Continuing Education (division of AUC)
CBE	Central Bank of Egypt
CMA	Capital Market Authority
CMD	Capital Markets Development project
CML	Capital Market Law
COP	Chief of Party
DvP	Delivery Versus Payment
DT2	Development Training Two project
EAS	Egyptian Accounting Standards
EU	European Union
EBDA	Egyptian Bond Dealers Association
ECMA	Egyptian Capital Market Association
EDGAR	Electronic Data Gathering and Retrieval System (U.S.)
EIMA	Egyptian Investment Management Association
G-30	Group of Thirty on Clearance and Settlement
GDR	Global Depository Receipt
GOE	Government of Egypt
IAS	International Accounting Standards
IOSCO	International Organization of Securities Commissions
IPF	Investor protection fund
IPO	Initial public offering
ISA	International Standards on Auditing
ISIN	International Securities Information Numbering
IT	Information technology
LOE	Level of effort
MOEFT	Ministry of Economy and Foreign Trade
MOF	Ministry of Finance
MCSD	Misr for Clearing, Settlement, and Depository
NASD	National Association of Securities Dealers Inc. (U.S.)
NYSE	New York Stock Exchange
NYIF	New York Institute of Finance
QPR	Quarterly progress report
OTC	Over-the-counter market
RFP	Request for proposals
RFQ	Request for quotations
SEC	Securities and Exchange Commission (U.S.)
SGF	Settlement guarantee fund
SLB	Securities lending and borrowing service
SOW	Scope of work
S&P	Standard & Poor's
SRO	Self-regulatory organization
TBD	To be determined
UAS	Unified Accounting Standards
USAID	United States Agency for International Development
VNR	Video news release

## **EXECUTIVE SUMMARY: THIRD QUARTER 2001**

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This quarterly progress report summarizes the activities of the Egypt Capital Markets Development (CMD) project during the third quarter of 2001. Launched in the Fall of 1998, CMD is implemented by Chemonics International Inc. and a team of highly qualified Egyptian and U.S.-based subcontractors. Following the introduction, the QPR discusses CMD's activities with its eight institutional partners — the Capital Market Authority (CMA), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Settlement, and Depository (MCSD), the Central Bank of Egypt (CBE), the Ministry of Finance (MOF), the Ministry of Economy and Foreign Trade (MOEFT), and the securities industry, represented by the Egyptian Capital Market Association (ECMA) and the Egyptian Investment Management Association (EIMA). A ninth section addresses monitoring and evaluation, and the appendices summarize our training activities and the reports produced by the project.

CMD's overall technical assistance program is based on Chemonics' four major contractual obligations to USAID and the Government of Egypt:

- Objective 1. Improve the efficiency, transparency, and stability of the capital market's architecture (automated trading, and clearing and settlement systems for stocks, bonds, and money markets).
- Objective 2. Strengthen institutions, including partner organizations such as the CMA, CASE, ECMA, MCSD, CBE, MOF, MOEFT, and the brokerage industry.
- Objective 3. Strengthen the regulatory environment for capital markets, including greater self-regulation and disclosure.
- Objective 4. Develop secondary trading in new financial instruments, particularly money and bond market instruments.

Like 2000, the activities and tasks in the 2001 Work Plan were developed in close coordination with our institutional partners and designed to achieve significant outcomes over the course of the year and beyond. The work plan provides the guiding framework for all of these activities, but we regularly find it necessary, as situations develop and other projects conducted their activities, to adapt plans and move ahead on different activities or with different methods to achieve the objectives and outcomes on which we agreed with our institutional partners and USAID.

The following is a summary of some of CMD's major achievements and activities with its institutional partners during the third quarter, as well as updates on some of our major joint initiatives.

### **Capital Market Authority (CMA)**

The CMA and CMD worked on a number of fronts during the quarter, including revising new regulations governing margin trading and setting net capital requirements for broker-dealers. Work on the decree for the creation of an investor protection fund also continued. The regulations and the decree are scheduled for delivery before year-end. Throughout the quarter, the CMA national experts and CMD continued to conduct weekly roundtable sessions on a wide variety of topics, including the issuance and trading of government securities, bond

pricing, yield curves, legal requirements for tender offerings, mergers and acquisitions through share swaps, primary dealers, and floating rate notes and notes with “call” or “put” options.

To help the CMA better organize and access the millions of documents it receives from issuers and intermediaries, the CMA and CMD completed and released a request for proposals (RFP) and evaluated bids for an electronic archiving system. We also finalized, printed, distributed the first in a series of guides explaining the CMA’s major services to market participants, developed and printed a brochure on minority shareholders’ rights under Egyptian law, and produced the CMA Annual Report for 2000.

### **Cairo and Alexandria Stock Exchanges (CASE)**

CASE continued to successfully operate its new trading system, initially launched in the second quarter of 2001. The hardware for the new system was provided by USAID through the CMD project. The new system substantially increases the trading capacity of the exchange and provides comprehensive back-up features to protect against system failures. CASE also submitted the final version of the listing rules to the CMA Board of Directors for approval. The listing rules were developed in partnership with CMD in 2000.

### **Misr for Clearing, Settlement, and Depository (MCSD)**

During the third quarter, MCSD and CMD moved forward on the development of the Central Registry for Securities with the assistance of subcontractor Mellon Consulting, a subsidiary of one of the world’s leading providers of asset management, trust, custody, and shareholder services, Mellon Financial Corporation. Mellon evaluated MCSD’s current systems and developed comprehensive recommendations on the service. A report on their finding will be delivered in the fourth quarter. The registry will be the central record of securities ownership in the Egyptian market.

MCSD and CMD also moved forward in a range of other areas, including a comprehensive evaluation of clearing and settlement fees. The recommendations will help MCSD develop a fee structure that minimizes costs to participants while ensuring the long-term viability of the company and high quality of its services. In addition, MCSD and CMD continued to develop written procedures for MCSD’s major services and documentation for its computer systems. With CMD assistance, MCSD staff members are currently drafting the procedures, the initial versions of which will be completed by the end of the year.

### **Securities Industry**

ECMA and CMD completed and distributed more than 8,000 copies of a third investor education brochure — “Choosing Investment Instruments.” A fourth brochure, “Managing Your Investments,” will be completed and distributed at the beginning of the fourth quarter. The Arabic-language publications are designed to introduce current and potential investors to the principles of investing in stocks, bonds, and mutual funds. Like the first two brochures, the content of the third brochure was summarized in a local daily newspaper, extending the reach of this educational initiative.

Through the USAID-funded DT2 project, CMD planned and led a study tour for ECMA members to emerging and developed financial markets to examine the structures and functions of broker-dealer associations, in particular how these markets have dealt with self-regulation.

Visits included the Philippines, Indonesia, Thailand, and the United States. ECMA and CMD also conducted a forum on investor relations and its importance in listed companies. The session, which was attended by ECMA members, focused on the benefits of timely and accurate disclosure of information to shareholders, even when that information is negative. The series of ECMA-CMD forums and roundtables will continue throughout the remainder of the year.

### **Central Bank of Egypt (CBE)**

The CBE announced that banks would be allowed to use Treasury bills with 15 days to maturity as part of their reserve requirements. This move, which was based on CMD recommendations, will increase the demand for Treasury bills in the secondary market.

The CBE and CMD also completed the initial version of the electronic book-entry registry for Treasury bills, and started testing it on sample data. The registry will allow for the full dematerialization of Treasury bills. It is scheduled for launch by the end of 2001. The CBE and MOF plan to add Treasury bonds to the system in 2002. When fully developed, the registries for T-bonds and T-bills will fully dematerialize all government securities and make possible same-day settlement (T+0) on a delivery versus payment (DVP) basis. This will add significant liquidity to the secondary market and enable the CBE to use T-bonds in its open market monetary policy operations for the first time.

### **Ministry of Finance (MOF)**

Following the successful issuance of Egypt's debut sovereign bond on international markets, the MOF and CMD turned their attention toward the establishment of a primary dealer system for government securities — a primary underwriting syndicate for government debt with responsibilities for maintaining active secondary markets. During the quarter, CMD finalized a decree for the creation of the system and corresponding executive regulations. The project also drafted new rules for auctioning Treasury bills. The MOF expects to issue the primary dealer decree, executive regulations, and new auction rules in the fourth quarter of 2001. The Minister of Finance presented the outline and plan for the primary dealer system to the Minister of Economy and Foreign Trade, CBE Governor, CMA Chairman, CASE Chairman, and the chairmen of the four major public-sector banks, all of whom expressed their support for the system.

Also to facilitate the introduction of primary dealers, the MOF and CMD initiated an extensive training program for public- and private-sector banks, as well as CMA-licensed bond dealers. CMD is assisted in these activities by the U.S. Treasury's Office of Technical Assistance, also funded through USAID.

### **Monitoring and Evaluation**

CMD monitors its progress along three dimensions: in terms of the work plan, intermediate results, and long-range outcomes. Defined by USAID, the last two factors are designed to monitor progress over the life of the project's technical assistance program. The intermediate results were exceeded in 2000. With CMD assistance, the Egyptian market also moved closer to major achievements in each of the long-range outcome areas, in particular the capital market's legal structure, the trading capacity of the exchange, the introduction of new financial instruments, and the training of market regulators and participants.

## **Issues and Challenges**

When a CMD short-term advisor was unable to continue work on the creation of a Central Registry Service at MCSD, CMD was confronted with the challenge of identifying and contracting with another qualified provider of these expert services. Fortunately, Chemonics International Inc. successfully engaged with Mellon Consulting, an affiliate of Mellon Investor Services, the United States' leading transfer agent. Mellon conducted the initial phase of their assignment in the third quarter and will return in 2002 to provide additional assistance to MCSD.

In a new challenge, the events of September 11 have forced the rescheduling of several tasks. We are setting new dates to field two short-term advisors originally slated for September. They will assist on inspection procedures for broker-dealers and new financial instruments. We are also rescheduling the second iteration of the overseas study tour for financial journalists to first quarter 2001, as many of the site visits were planned for the New York financial and media communities.



## **SECTION I**

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### **Introduction**

This quarterly progress report (QPR) summarizes the Egypt Capital Markets Development (CMD) project's activities and achievements during the third quarter of 2001. It is divided into nine sections. The first section introduces the report and provides a list of the short-term advisors engaged during the reporting period. Sections II through VIII provide a narrative discussion of the project's current, ongoing, and planned work with each of its partner institutions, as well as highlight boxes with additional information on the quarter's most notable activities. The final section of the QPR summarizes and evaluates progress to date along three dimensions: the outcomes listed in the 2001 Work Plan, intermediate results, and long-range outcomes (with the last two defined by USAID in terms of the life of the project).

#### **A. Personnel and Organizational Changes**

During the third quarter, no major personnel changes occurred.

#### **B. Short-Term Advisors Engaged During the Quarter**

CMD engaged a total of 11 expatriate and 6 local short-term advisors during the quarter (see Tables 1 and 2). The input we receive from our highly qualified short-term advisors, both local and expatriate, provides us with specialized skills and adds depth to our long-term teams.

**Table 1**  
**Expatriate Short-Term Advisors Engaged**  
**Third Quarter 2001**

<b>Name/Subcontractor</b>	<b>Primary Area of Assistance</b>	<b>Dates of Engagement</b>
Nicole Lowery (Edelman Communications International)	Investor Education Video Series (ECMA)	July 06-July 20
Rob Case (Edelman Communications International)	Investor Education Video Series (ECMA)	July 06-July 20
Laurence Wells (Edelman Communications International)	Investor Education Video Series (ECMA)	July 06-July 20
Chris Colford (Hill and Knowlton)	Communications Specialist (MCSD, ECMA)	July 13-July 27
Carol Yee (Chemonics International)	Administrative Support	July 23- August 01
William O'Rourke (Chemonics International, Mellon Consulting)	Registry Service (MCSD)	August 04-August 17
Carl Hagberg (Chemonics International, Mellon Consulting)	Registry Service (MCSD)	August 04-August 17
Raymond Riley (Chemonics International, Mellon Consulting)	Registry Service (MCSD)	August 04-August 17
Gary DiNoia (Chemonics International)	Business Resumption Advisor (MCSD)	August 19-September 01
Samer Bedawi (Chemonics International)	Technical Writer Trainer (MCSD)	September 08- September 20
Ghassan Nakad (Chemonics International)	Programmatic Support	September 09-September 21

**Table 2**  
**Local Short-Term Advisors Engaged**  
**Third Quarter 2001**

<b>Name/Subcontractor</b>	<b>Primary Area of Assistance</b>	<b>Dates of Engagement*</b>
Mohamed Awadalla (Zarrouk, Khaled & Co.)	Costing Manual and Internal Auditing (MCSD)	July 01-August 30 (intermittent)
Amr Awad (Zarrouk, Khaled & Co.)	Costing Manual and Internal Auditing (MCSD)	July 01-August 30 (intermittent)
Amr Thakeb (CMD)	Layout and graphic design, educational brochures, CMA annual report, and other publications (ECMA, CMA)	July 01-September 30 (intermittent)
Dalia Wahba (CMD)	Public Outreach and Awareness (all institutions)	July 02- September 23 (intermittent)
Mohamed Abdel Salam (Zarrouk, Khaled & Co.)	Costing Manual and Internal Auditing (MCSD)	July 09-August 30 (intermittent)
Hisham El Masry (Arabsoft)	Information Technology Procurement (CMA)	July 17-September 16

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\* The dates only reflect time worked during the third quarter of 2001.

## SECTION II

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### Capital Market Authority

The CMA and CMD continued their joint efforts, including publishing the CMA Annual Report for 2000. We also continued to revise regulations governing margin trading and strengthening net capital requirements, as well as the decree for the creation of an investor protection fund (IPF). Finally, we jointly produced and distributed the first in a series of guides on the CMA's main services to the market and a brochure on minority shareholders' rights.

CMD's 2001 activities are focused in five basic areas:

- Institutional Development and Training
- Information Technology
- Legal and Regulatory
- New Financial Instruments
- Public Awareness and Outreach

#### 1. Institutional Development and Training

##### 1.1 Improve Market Surveillance and Enforcement

Earlier in the year, CMD completed the manuals and plans necessary to commence an extensive training program in market surveillance for the CMA staff. The training was slated to begin in the second quarter and be led by advisors from the National Association of Securities Dealers (NASD) Regulation, Inc. Unfortunately, NASD Regulation postponed the advisors' field visit due to U.S. Department of State security advisories (see also, CASE 1.2). CMD is currently searching for an alternative training solution.

##### 1.2 Improve Approval Process for New Issues

In accord with the CMA's current priorities, this task will carry over into our joint institutional planning efforts under the 2002 work plan, when CMD will assist the CMA with restructuring itself along functional lines. As a next step, a short-term expatriate advisor will arrive in January 2002 to evaluate the CMA's current processes for approving new issues and for periodic disclosure.

#### Major Achievements: Third Quarter 2001

- Completed and released a request for proposals (RFP) and evaluated bids for an electronic archiving system.
- Finalized, printed, and distributed the first in a series of guides explaining the CMA's major services to market participants.
- Developed and printed a brochure on minority shareholders' rights under Egyptian law.
- Revised new regulations governing margin trading and setting net capital requirements for broker-dealers.
- Revised the draft decree for the creation of an Investor Protection Fund (IPF).
- Conducted weekly roundtable sessions with the CMA National Experts on a wide variety of topics, including the issuance and trading of government securities, bond pricing, yield curves, legal requirements for tender offerings, mergers and acquisitions, share swaps, floating rate notes, and notes with "call" or "put" options.

### **1.3 Improve the Receipt, Tracking, and Distribution of Periodic Filings from Issuers**

This task will take place after completion of CMA 1.2. The CMA reprioritized these efforts to focus on the procurement of the electronic archiving system (see CMA 2.4).

### **1.4 Increase the Functional Capacity and Abilities of the CMA Staff**

#### *Guide to Financial Analysis*

CMD completed the draft of a Guide to Financial Analysis for use by the CMA staff. It will be finalized and delivered in the fourth quarter. The manual covers the following topics:

- Nature of financial analysis
- Data collection
- Analysis of financial statements
- Analysis of financial disclosure
- Analysis of investment decisions
- Liquidity analysis
- Profitability analysis

#### *English Language Training*

With the Center for Adult and Continuing Education (CACE), a division of the American University in Cairo (AUC), the CMA and CMD developed a tailored English-language course for 15 CMA mid-level staff members. Started in September, the course will provide 120 hours of classroom instruction three days per week into December. It is held in the CMA training room, which CMD helped remodel in 1999. The objective of the course is to improve the CMA staff members' communications skills in English. Drills and exercises are specifically designed to emphasize technical material, terms, and expressions related to financial and capital markets.

#### *CMA-CMD Roundtables*

The CMA National Experts, CMA Deputy Chairman Ashraf Shamseldin, Senior Staff Member Nehad Kandil, and other senior staff members conducted regular sessions with CMD's senior technical staff on a wide range of topics. These sessions included the following:

- CMD Money and Bond Markets Advisor John Noonan conducted two sessions on government securities (bills and bonds), negotiable certificates of deposit, commercial paper, banker's acceptances, and repurchase and swap transactions.
- In two additional sessions, Noonan covered bond-pricing issues, focusing on the importance of the pricing of bills and bonds in free-market auctions as a component in establishing a yield curve and active secondary market.
- CMD Deputy Chief of Party François Pépin and CMA Senior Regulatory Advisor Michael Porter conducted a roundtable discussion on the legal requirements and procedures for increases in capital by listed companies.
- CMD Securities Industry Advisor Jun Labadan delivered a roundtable presentation on U.S. regulations governing tender offers and mergers and acquisitions.

- Porter and CMD Chief of Party Barry Gray discussed basic aspects of floating rate notes and notes with a “call” or “put” options.

## **2. Information Technology Assistance**

### **2.1 Develop an Automated System to Track the Bond Issue Approval Process**

The detailed design and programming for an electronic system to track the CMA’s procedures for approving corporate bond issues will commence after the CMA management approves the requirements report, which was delivered by CMD earlier in the year. Currently, the CMA and CMD are focused on the procurement of the electronic archiving system (see CMA 2.4). The “bond tracking system” will be the first component in the CMA’s larger electronic data gathering and retrieval system.

### **2.2 Develop an Electronic System to Track Processes for Periodic Filings from Issuers**

The initiation of this task is scheduled for after the completion of CMA 2.1.

### **2.3 Procure and Install Server for the CMA Website**

CMD finalized and released the request for proposal (RFP) for a CMA web server, to host the CMA website, in the third quarter. This procurement will be completed in the fourth quarter.

### **2.4 Procure and Install Document Archiving System**

The CMA and CMD completed and issued an RFP for an electronic archiving system for the thousands of documents the CMA receives from issuers on a yearly basis. Responses were received and a request for best and final offers (BAFO) was distributed. CMD will award a contract for the system early in the fourth quarter.

The system’s hardware will include a server, four scanners, two laser printers, and four workstations. The software will be capable of processing, indexing, and retrieving documents by type, date, key words, and text. It will support Arabic, as well as documents in Latin scripts. The provider will both install and configure the software and hardware, and provide training to the CMA users. They will also convert the initial 500,000 documents to be added to the system.

## **3. Legal and Regulatory Assistance**

### **3.1 Draft Rules and Regulations**

#### *Draft Capital Market Law*

The MOEFT and CMA continue to revise the draft of the new Capital Market Law. We delivered comments and recommendations on the draft law in the first quarter. In a related effort, CMD has also delivered recommendations for changes to bankruptcy provisions in current Egyptian law (including the Capital Market Law). These recommendations are designed to reduce risks associated with the settlement and clearance of securities trades. Both sets of recommendations are discussed in a previous QPR (First Quarter 2001).

### *Net Capital and Margin Trading Rules*

CMD continued to revise and finalize new regulations governing margin trading and setting net capital requirements for broker-dealers. Morris Simkin, of legal subcontractor Winston & Strawn, drafted the regulations. Final versions of both sets of regulations will be delivered to the CMA in the fourth quarter.

### **3.2 Develop the Legal and Regulatory Framework for the Investor Protection Fund**

Morris Simkin also modified and delivered the decree for the creation of an Investor Protection Fund (IPF), incorporating comments received from the CMA. CMD's long-term legal team is currently finalizing the draft decree, including bringing it into line with the draft margin trading and net capital regulations. Executive regulations to the decree have also been drafted. The final draft of the decree and regulations will be delivered to the CMA in the fourth quarter.

### **3.3 Improve Disclosure Requirements**

#### *Disclosure Recommendations*

CMD drafted and delivered a report on "Enforcing and Enhancing Disclosure Requirements" during the third quarter. The report states that disclosure is the most important element in a modern capital market and that enforcing full and fair disclosure is one of the most important roles of a market regulator with respect to issuers.

Disclosure consists of two elements: financial and non-financial. For financial disclosure, Egypt has Arabized some, but not all, of the International Accounting Standards (IAS). CMD recommends that the CMA amend the annexes of the Executive Regulations under the Capital Market Law (Law 95/1992) to include all of the IAS. For non-financial disclosure, CMD recommends that Egypt adopt the International Organization of Securities Commission (IOSCO) standards for prospectuses and periodic reports filed by issuers.

The report's findings are based on CMD's work on disclosure over the life of the project. The recommendations will be presented to the CMA management in the fourth quarter.

## **4. New Financial Instruments**

The roundtable discussions planned for the third quarter have been rescheduled pending the fielding of a short-term advisor to develop reports on various financial instruments that could be used by the market. The advisor was scheduled to arrive in September to complete this task, however, the trip was rescheduled in light of current world events. The CMA and CMD have focused this task on asset-backed and mortgage-backed securities, a major priority of the Egyptian government following the passage of the new Mortgage Law.

## **5. Public Awareness and Outreach**

### **5.1 Train Financial Journalists**

#### *Overseas Study Tour for Financial Journalists*

The first iteration of the Overseas Financial Study Tour for Journalists was completed in the second quarter. The second iteration, scheduled for October, has been rescheduled to early

2002 as a result of the disruptions caused by the September 11 attacks on the New York financial community and media, which will host the journalists for many of their site visits.

#### *Workshops and Press Forums*

No workshops or press forums were conducted in the third quarter. To follow up the 12-session workshop on International Financial Journalism, concluded in June, CMD will conduct an Internet clinic starting in October. The clinic will include formal sessions on searching for financial news and information on the Internet and informal sessions where the journalists can receive assistance while researching topics of their choice.

### **5.2 Develop Publications to Increase Awareness of CMA Role and Responsibility**

#### *Guides to CMA Services*

In 2001 and under the direction of the CMA National Experts, the authority began developing guides to help market participants access CMA services. These guides will increase the transparency of the CMA's operations for market participants. CMD helped the CMA publish the first of these guides. It covers the procedures for increases in capital for joint-stock companies and limited partnerships and modifying the nominal value of shares. Required forms are also included in the publication.

#### *CMA Booklet on Minority Shareholder's Rights*

The CMA and CMD also finalized and printed a short booklet on the rights of minority shareholders under Egyptian law and regulations. Drafted by Mona Zulfikar, of CMD subcontractor Shalakany Law Offices, the publication is based on the press forum conducted by Zulfikar in the first quarter. It includes sections on the importance of minority shareholders' rights, as well as legal guarantees related to share ownership, participation in decision making, and complaints and litigation. It also outlines a number of proposals that are being considered to strengthen minority shareholders' rights.

#### *CMA Annual Report*

The CMA and CMD completed production and distribution of the authority's 2001 annual report. The report was drafted by the CMA, and designed and printed by CMD. An English version of the report is currently being finalized. The 2001 annual report includes a wide range of information on the CMA's activities, including extensive information on the Settlement Guarantee Fund (SGF), requirements for the new professional liability insurance for securities intermediaries, Central Securities Depository and Registry Law (Law 93/2000), and plans for the IPF.

### **5.3 Improve Press Relations and Public Outreach Capability**

CMD Communications and Media Relations Advisor Iman El-Sherif, who is based at our CMA office, continued to provide ongoing on-the-job training in media relations, event planning, and other topics to the CMA throughout the reporting period. During the fourth quarter, we will develop and deliver recommendations on building a sustainable communications function at the CMA.



## SECTION III

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### **Cairo and Alexandria Stock Exchange**

CASE continued to work with the CMA to finalize the listing, membership, and board of directors rules that we drafted jointly in 2000.

During 2001, CASE and CMD's efforts are focused in three basic areas:

- Institutional Development and Training Assistance
- Information Technology Assistance
- Legal and Regulatory Assistance

#### **1. Institutional Development and Training Assistance**

##### **1.1 Assist with Development of a Strategic Plan**

CMD short-term advisor Brian Riddell delivered an outline for the strategic planning process and background information early in 2001. Subsequently, this task was put on hold while CASE pursues other priorities.

##### **1.2 Improve Market Surveillance and Enforcement**

CASE and CMD planned to initiate a training program in market surveillance during the second quarter. Unfortunately, this task was postponed when the advisors designated to lead the training rescheduled their field visit due to travel advisories issued by the U.S. Department of State. The two experts originally slated to lead the training program were from NASD Regulation, Inc. CMD is currently investigating alternative training solutions.

#### **2. Information Technology Assistance**

CASE launched the new trading system in second quarter 2000. Throughout the reporting period, the system continued to operate successfully. CMD provided the hardware for the new system in 1999 and early 2000. CASE procured the software before CMD's inception.

#### **3. Legal and Regulatory Assistance (Finalize Rules Drafted in 2000)**

CASE and the CMA continued to finalize the listing rules drafted jointly by CASE and CMD in 2000. At the end of the reporting period, the rules had been approved in principle by the CMA and were pending final approval by the board of directors. CASE announced that the membership rules, also drafted jointly in 2000, would be finalized and released for public comment in the fourth quarter.

#### **Major Achievements: Third Quarter**

- Listing rules approved in principle by the CMA, and pending final approval by the CMA Board of Directors. They were drafted jointly by CASE and CMD in 2000.
- CASE announced that the membership rules, also drafted jointly by CASE and CMD, had been finalized and would be released for public comment in the fourth quarter.

## SECTION IV

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### Misr for Clearing, Settlement, and Depository

MCSD and CMD moved forward on a variety of issues this quarter, including improvements to disaster recovery procedures, the development of the Registry Service, and the documentation of MCSD operational procedures.

In 2001, our major areas of assistance to MCSD are:

- Institutional Development and Training
- Information Technology
- Legal and Regulatory
- Public Awareness and Outreach

#### 1. Institutional Development and Training

##### 1.1 Facilitate the Establishment of Forum on MCSD Operational Issues

This task has been rescheduled for the fourth quarter. The forum will be a step toward the creation of a “Participant Advisory Committee” recommended in the Organizational Structure and Job Descriptions Report (drafted by CMD in 1999 and 2000) and approved by the MCSD board of directors. Despite its formal creation in the organizational structure, the functions of the Participant Advisory Committee are currently being performed by the Settlement Guarantee Fund’s (SGF) Risk Management Committee. Therefore, MCSD has put CMD assistance with the Participant Advisory Committee on hold.

##### 1.2 Develop Systems for Setting Fair and Reasonable Fees for Services

CMD reviewed the report drafted by short-term advisor John McPartland and subcontractor Zarrouk, Khaled, and Company on MCSD’s fees for clearance and settlement of debt securities. These efforts augment a report completed in 2000 that focuses on equities, adding recommendations on clearing and settlement fees for bonds. When delivered in the fourth quarter, MCSD will use the report for guidance when developing a new fee structure.

#### Major Achievements: Third Quarter 2001

- Completed the initial phase of the development of the Central Registry Service with the assistance of Mellon Consulting, an affiliate of the United States’ most important transfer agent, Mellon Financial Corporation. This included a comprehensive evaluation of MCSD’s operations and recommendations on the development of the service.
- Completed a final review of the Executive Regulations to the Central Securities Depository Law (Law 93/2000), which are expected to be issued before year-end.
- Conducted an extensive series of workshops on writing operational procedures and guides for external users of MCSD services. MCSD staff and managers began the development of the procedures and guides.
- Conducted workshops on documenting computer systems, and MCSD staff began the documentation process.
- Completed Phase 1 of efforts to improve MCSD’s disaster recovery plans and capabilities.
- Provided workshops and on-the-job training for the MCSD Communications Department using the services of subcontractor Hill & Knowlton. The assistance included establishing a structure for the department and lines of responsibilities.
- Conducted a comprehensive evaluation of clearing and settlement fees for debt instruments. The recommendations will help MCSD develop a fee structure that minimizes costs to participants while ensuring the long-term viability of the company and high quality of its services, and removes obstacles to the creation of an active bond market.

CMD commenced the review and finalization of the MCSD Costing Manual, drafted by subcontractor Zarrouk, Khaled, and Company. The report will be delivered in the fourth quarter, and training for MCSD management in the cost accounting system will begin.

### **1.3 Train MCSD Staff in Documenting Services and Systems**

With CMD assistance, MCSD is producing operational procedures manuals, guides to using MCSD services, and documentation for computer systems. In the third quarter, short-term advisor Samer Bedawi and MCSD managers and staff conducted the second of two phases in the procedures writing task for internal and external procedures. During a series of workshops in Arabic over three weeks, MCSD started drafting their procedures manuals. Bedawi also worked with a core group of MCSD managers to specify the form and content of the guides for MCSD participants. He covered the following general topics on procedures writing:

- Audience analysis
- Classification of materials
- Sentence-level revision
- Using inductive and deductive logic

To start the process of documenting MCSD's computer systems, Senior Systems Analyst Ibrahim Sabri conducted eleven, two-hour sessions for MCSD personnel. As part of the workshop, MCSD and CMD developed standards for documenting the computer systems.

For all three efforts, CMD will continue to monitor MCSD's progress and offer assistance as the procedures are finalized and distributed to staff and participants.

### **1.4 Train Internal Auditors**

CMD, with the assistance of subcontractor Zarrouk, Khaled, and Company, started the second phase of a task designed to strengthen MCSD's internal audit function. During the first phase, an internal audit policy manual was completed. As part of the second phase we are developing an internal audit procedures manual and providing on-the-job training to MCSD staff members and managers. This task will be completed with the assistance of a short-term expatriate advisor, who will be fielded early in 2002.

### **1.5 Implement a Securities Lending and Borrowing (SLB) Service**

MCSD and CMD reviewed and commented on the securities lending and borrowing procedures drafted by short-term advisor Charles Rubin. The procedures will be finalized by MCSD, with CMD assistance, following the issuance of the Executive Regulations to the Central Securities Depository and Registry Law.

### **1.6 Assist with the Development of the Registry Service**

Mellon Consulting, under contract to CMD, completed the initial stage of their assistance on the establishment of the Central Registry for Securities. Mellon Consulting is an affiliate of Mellon Investor Services, a subsidiary of Mellon Financial Corporation, the United States' premier transfer agent. During the initial field assignment, the Mellon advisors:

- Conducted a high-level business review of each of MCSD's operating units. The reviews were facilitated by presentations by managers in each operational unit. Group discussions covered key operational issues for transfer agencies, particularly issues directly related to the development of the registry service.
- Gathered information on the securities industry and its requirements for securities registration, including banks, major issuers, brokers, custodians, bookkeepers, and other financial institutions.

Mellon also conducted two best practices seminar for the MCSD staff and industry on the development of securities depositories and central registries in the United States and other countries. The team concentrated on the parallels between the Egyptian and U.S. markets and on lessons learned in the United States over the last few years.

At the end of their visit, the Mellon Consulting team briefed the CMA Chairman and MCSD management on their preliminary findings. They will deliver a report evaluating MCSD's current operations and providing comprehensive recommendations for the development of the registry service early in the fourth quarter. Box 1 provides a summary of Mellon's preliminary evaluation. A complete summary of their recommendations will be included in our next QPR. Many of the recommendations for MCSD's clearing, settlement, and depository operations have been or are being implemented with CMD assistance.

#### **Box 1** **Mellon's Preliminary Evaluation**

Mellon Consulting's preliminary findings and recommendations are included in a draft "White Paper," the final version of which will be delivered in the fourth quarter. In their evaluation, Mellon reviewed current MCSD practices and then compared these to "best practices" in the overall management of a Central Registry Service.

Three general principles underlie the specific best practices reviewed:

- The need for "integrity" of systems, procedures, and personnel. By "integrity," Mellon means not only the need for honesty and trustworthiness, but also the need for various systems, procedures, and people to function in a well-integrated and tightly-organized manner. This should make it difficult for dishonest people to compromise or defraud the system.
- The need to detect and resolve problems promptly.
- The need to plan effectively for the future in order to respond effectively to changing legal, regulatory, technological, and economic developments.

Most of Mellon's "best practice" recommendations for the clearing, settlement, and depository services have been or are being implemented by MCSD, with CMD assistance. For example, CMD is helping MCSD develop operational procedures manuals, guides for users, and disaster recovery systems as recommended by Mellon (see MCSD 1.3 and 2.1). MCSD is also reviewing its fee structure with a view toward instituting best practices and strengthening its internal audit function, also with CMD assistance (see MCSD 1.2 and 1.4).

Generally, Mellon found that MCSD systems and procedures, as well as the overall functioning of MCSD's clearing, settlement, and depository services, were well developed. They were also favorably impressed with the MCSD senior management team and senior staff, all of whom were very energetic, highly motivated, and keenly interested in identifying and adopting "best practices" in the areas they manage.

The Mellon team also noted that MCSD was highly praised by every publicly traded company and market participant they visited. MCSD was lauded for the level of efficiency it brought to essentially non-automated processes, and the way this level of efficiency was accomplished in a relatively short timeframe. Importantly, MCSD was also praised for its general responsiveness to customer needs.

### **1.7 Evaluate SGF Rule, Write Default Procedures, and Perform Default Simulation**

This task has been rescheduled to 2002.

## **2. Information Technology Assistance**

### **2.1 Document Business Resumption Procedures**

This quarter, short-term advisor Gary DiNoia completed Phase 1 of the business resumption plan. During the visit, DiNoia:

- Examined MCSD disaster recovery facilities
- Defined the purpose of the contingency plan
- Defined the types and levels of disaster

At the end of his visit, DiNoia delivered a report on his assessment to the MCSD management and, at their request, provided recommendations for procurement needs in connection with computer disaster recovery (to be purchased by MCSD independently). DiNoia's second field assignment, during which he will help MCSD finalize comprehensive disaster-recovery procedures, is scheduled for early 2002.

## **3. Legal and Regulatory Assistance**

MCSD and CMD completed a final review of the Executive Regulations to the Central Securities Depository and Registry Law (Law 93/2000). We expect the Minister of Economy and Foreign Trade to issue the regulations before the end of the year. In accord with the new law and regulations, CMD also initiated assistance on the reallocation of MCSD's share capital during the quarter. The new law states that no participant may own more than 5 percent of the company.

### **3.1 Draft a Master Service Contract and Accompanying Rules and Procedures**

A draft of the master service contract was given to MCSD last year. The contract will be revised after the Executive Regulations for the Central Securities Depository and Registry Law are issued. Accompanying rules and procedures will also be developed.

### **3.2 Develop Employee Code of Conduct**

The employee code of conduct developed by MCSD and CMD was translated and delivered to MCSD for finalization. The code of conduct covers the following areas:

- Confidentiality
- Security
- Service
- Integrity
- Probity
- Fairness
- Transparency
- Accountability
- Standards

### 3.3 Add SRO Component to Board of Directors Initiation Package

CMD developed and delivered a final version of the MCSD Board of Directors Initiation Package, which was revised to address SRO requirements and their impact on the development of MCSD's services. The package is currently under review by MCSD. It focuses on basic governance principals, the nature of MCSD's business, and the regulatory structure, including the following:

- Directors' core duties and the need for due diligence
- Conflicts of interest
- Key MCSD documents
- Liability under the Capital Market Law (Law 95/1992) and Central Securities Depository and Registry Law (Law 93/2000)

## 4. Public Awareness and Outreach

### 4.1 Implement Communications Strategy

#### *MCSD Annual Report*

MCSD completed and printed its 2000 Annual Report with limited CMD assistance. Katia Ramo and Samer Bedawi, of the Chemonics home office, assisted with editing of the English and Arabic sections of the report. CMD also provided some design assistance, particularly on the cover. Production costs were paid directly by MCSD.

#### *Compendium of International Standards*

With the assistance of Samer Bedawi from the Chemonics International home office, CMD is assembling a compendium of international standards regarding MCSD's key operational areas — clearance, settlement, depository, and registry. During this quarter, we gathered additional materials to complete the compendium. Moving forward, CMD's field staff will summarize much of the information gathered for publication of the compendium in 2002.

#### *Recruitment of a Communications Specialist for MCSD*

MCSD recruited and hired a communications specialist at the beginning of the quarter, concluding this subtask. CMD assisted with the recruitment efforts by locating candidates.

#### *Other Communications and Media Outreach Assistance*

CMD short-term communications advisor Chris Colford, from subcontractor Hill & Knowlton, conducted the first of two field assignments designed to assist MCSD with the development of their communications functions. During the visit, Colford provided two weeks of workshops and on-the-job training to the manager and three staff members of the Communications Department. The primary focus was on the structure of the department and responsibilities of each staff member. The group also started planning media relations and communications activities over the remainder of the year. Colford will conduct a follow-up visit in the fourth quarter.

## SECTION V

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### Securities Industry

CMD is working closely with the two main institutions in the securities industry — the Egyptian Capital Market Association (ECMA) and the Egyptian Investment Management Association (EIMA).

#### A. Egyptian Capital Market Association

ECMA and CMD completed, printed, and distributed the third investor education brochure, “Choosing Investment Instruments,” and conducted a forum on investor relations for ECMA members, the second in a series.

ECMA and CMD are concentrating their efforts in two basic areas during 2001:

- Institutional Development and Training
- Public Awareness and Outreach

#### 1. Institutional Development and Training Assistance

##### 1.1 Develop Plan for ECMA’s Institutional Development

This task was completed in the second quarter with the assistance of CMD’s long-term team and short-term advisor Jim Ryan, along with the ECMA study tour to the United States, which concluded at the beginning of the reporting period.

As a result of the overseas study tour conducted in June and early July, ECMA and its board have a clearer idea of the role ECMA can plan in the capital market. They have decided not to advocate for NASD-style SRO status, opting instead for the incorporation of specific SRO functions into a custom-made charter. They plan to organize themselves along the lines of the Securities Industry Association (SIA) in the United States.

Further planning for the strengthening of the training department is on hold pending the hiring of a training and IT manager at ECMA. Candidates have been identified and will be engaged by year's end.

##### 1.2 Increase Knowledge of Operational Practices

With the assistance of short-term advisor Chris Colford, CMD and EIMA conducted a forum on the importance of creating investor relations departments in listed companies (see ECMA 2.1). A forum on disclosure by listed companies will be conducted in the fourth quarter.

#### Major Achievements: Third Quarter 2001

- Completed and distributed more than 8,000 copies of a third investor education brochure — “Choosing Investment Instruments.” A fourth brochure, “Managing Your Investments,” was finalized.
- Cosponsored a roundtable on investor relations for ECMA members led by subcontractor Hill & Knowlton.
- Planned the creation of an investment management certification program with EIMA, USAID, and DT2.

### **1.3 Training for the Broker/Dealer Community**

ECMA and CMD outlined a series of training programs for the broker-dealer community during 2001. These programs are being conducted through the USAID-funded DT2 project and are summarized in Appendix B of this report.

## **2. Public Awareness and Outreach**

### **2.1 Develop and Conduct ECMA Forums**

CMD and ECMA cosponsored a roundtable on investor relations in listed companies. The session, led by CMD short-term advisor Chris Colford (from subcontractor Hill & Knowlton) concentrated on how the free flow of information to shareholders can strengthen the bottom line. Colford will conduct a second roundtable in the fourth quarter on disclosure by listed companies.

### **2.2 Develop Public Outreach Materials**

#### *Educational Brochures*

ECMA and CMD finalized and printed the third in a series of investor education brochures, "Choosing Investment Instruments." Approximately 8,000 copies were distributed to ECMA members, educational institutions, businessmen's associations, and financial journalists. Local business daily *Al Alam Al Youm* summarized the content of the brochure on its capital market page, extending the reach of this initiative. Other papers announced the release of the publication. An additional 2,000 copies of the brochure are being distributed by ECMA in response to inquiries.

The fourth educational brochure, "Managing Your Investment," was finalized at the end of the reporting period. It will be printed and distributed in early October.

#### *Educational Video Series*

CMD and subcontractor Edelman Communications International (ECI) completed taping interviews for the next six episodes of the investor education video series. The episodes cover:

- Preparing to invest
- Stocks
- Bonds
- Mutual Funds
- How the capital market works
- Managing risks

The video education series is currently being edited. It will be finished and delivered by year-end.

## **B. Egyptian Investment Management Association**

EIMA and CMD completed planning for training programs over the remainder of the life of the project. These efforts, including a certification program for investment managers, will be funded by USAID through the DT2 project.



CMD and EIMA are working together in two basic areas:

- Institutional Development and Training
- Public Awareness and Outreach

## **1. Institutional Development and Training Assistance**

### **1.1 Assist EIMA with Organizational Development**

Completion of this task is dependent on the appointment of a new managing director at EIMA, a post left vacant with the departure of Hatem El Gammal last year.

### **1.2 Support Raising Professional Standards Among EIMA Memeber**

#### *Egyptian Investment Performance Standards (EIPS)*

Short-term advisor Lee Price will conduct a second field visit when EIMA concludes its discussions about the final shape of the Egyptian Investment Performance Standards (EIPS). He will assist with the presentation of the EIPS to the international board. As reported previously, the EIPS were drafted by EIMA and CMD in 2000. They are based on the Global Investment Performance Standards (GIPS) developed by the Association for Investment Management Research (AIMR) and adopted in 29 countries.

#### *Training*

EIMA and CMD outlined training programs to be conducted through the DT2 project over the remainder of the life of the project. These programs include a certification program for investment managers. During the quarter, EIMA, CMD, USAID, and DT2 concluded plans for the certification program, scheduled to start in October. CMD Money and Bond Markets Advisor and Chief of Party will teach several sessions, as will short-term advisor Lee Price. This program will represent a major the formal kick off of a sustainable, rigorous, and respected certification program for the industry.

The training programs also include an EIMA study tour to allow board members to interact with their United States counterparts, and investigate asset management associations and their roles in the industry. The study tour was rescheduled for next year due to the events of September 11. The draft itinerary includes:

- The Investment Company Institute
- AIMR
- New York Stock Exchange
- National Association of Securities Dealers (NASD)
- NASD Regulation

## **2. Public Awareness and Outreach**

### **2.1 Assist with the Development of a Sustainable Website**

ECMA's web planning efforts are also dependent on the appointment of a new managing director.

## SECTION VI

### Central Bank of Egypt

The CBE and CMD completed the initial version of the software for the electronic book-entry registry for Treasury bills (T-bills) and started testing (on mock data). We also started the final procurement process for the hardware to run the registry, which is scheduled for launch before year-end. In another major development, the CBE announced that it will permit banks to use T-bills with short periods to maturity as a portion of their reserve requirements, a CMD policy recommendation.

Our joint activities with the CBE are focused in two major areas:

- Institutional development and training
- Information technology

#### 1. Institutional Development and Training Assistance

##### 1.1 Facilitate the Introduction of Primary Dealers and Market-Based Auctions

This quarter, CMD drafted new rules for auctioning T-bills. This task is discussed in Section VII, 1.3 of this report. In the fourth quarter, CMD will conduct workshops on primary dealers for the CBE Bank Control Department, focusing on the implication of this development for monetary policy.

##### 1.2 Facilitate the Introduction of New Financial Instruments

The CBE announced it would permit banks to use T-bills with short periods to maturity as a portion of their reserve requirements (see Box 1). This change in policy came as a result of CMD's recommendations over the past year. While not a new financial instrument, allowing T-bills to be used as a portion of reserves is a significant new use of an existing financial instrument that will have a major impact on trading activity in the secondary market.

The CBE also announced that it will permit banks to issue certificates of deposits (CDs) with reduced reserve requirements, as

#### Major Achievements: Third Quarter 2001

- Completed the preliminary version of the software for the electronic book-entry registry for Treasury bills (T-bills), and started testing.
- Initiated procurement of hardware for the book-entry registry
- CBE authorized the use of T-bills with short periods to maturity as a portion of banks' reserve requirements, a move recommended by CMD.

#### Box 1

##### CBE Approves Reservable Treasury Bills

At the end of the third quarter, the CBE issued a new policy allowing banks to use T-bills with 15 days or less to maturity as up to 10 percent of their reserve requirements. CMD recommended this policy change in a number of presentations to the CBE Bank Control Department and other officials, as well as in a short paper delivered to the Minister of Finance and the CBE Governor.

Making T-bills "reservable" will increase secondary trading and build the yield curve. In the first week following the implementation of the policy, a large number of bills traded in the secondary market at 200 basis points below the interbank rate, around which they usually trade.

recommended by CMD. Nonetheless, it has not authorized the issuance of *negotiable* CDs in line with CMD's full recommendations. We will continue to discuss this issue with the CBE's Bank Control Department.

## **2. Information Technology Assistance**

### **2.1 Develop an Electronic Book-Entry Registry for Treasury Bills**

The CBE and CMD completed the preliminary version of the software for the electronic book-entry registry for T-bills. The registry is currently being tested. In conjunction with the launch, the CBE and CMD will conduct workshops on the book-entry registry for all locally based banks — the users. The registry will be implemented during auctions for T-bills by the end of the year. Paper certificates will be gradually eliminated as bills mature.

The book-entry registry is being developed on a server and local area network (LAN) procured by CMD earlier in the year. CMD is procuring additional hardware (server and workstations) to run the system when it is fully operational. CMD developed a request for proposals (RFP) this procurement, which will be released in the fourth quarter. When the new hardware is installed, the development server will house the registry's back-up system.

To help the CBE develop and operate the book-entry registry, CMD worked with DT2 to provide a wide range of training programs for the CBE Information Technology Department (see Appendix B).

During the quarter, the Minister of Finance, CBE Governor, and CMA Chairman agreed that Treasury bonds will be added to the book-entry registry within three months of the launch of the registry for T-bills. When fully developed, the registries for T-bonds and T-bills will fully dematerialize all government securities and make possible same-day settlement (T+0) on a delivery versus payment (DVP) basis. This will add significant liquidity to the secondary market and enable the CBE to use T-bonds in its open market monetary policy operations for the first time.

## SECTION VII

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### Ministry of Finance

The Minister of Finance, with CMD and U.S. Treasury assistance, presented an outline for the proposed primary dealer system to the Minister of Economy and Foreign Trade, CBE Governor, CMA Chairman, and CASE Chairman, as well as the chairmen of the four major public-sector banks. The proposal was greeted enthusiastically by all parties. Based on the proposal, CMD and U.S. Treasury drafted and delivered the decree for the creation of the primary dealer system, corresponding executive regulations, and new rules for auctioning Treasury bills (T-bills). We expect the decree to be issued before the end of the year. At the same time, CMD followed up the successful issuance of Egypt's debut sovereign bonds with technical assistance on the investment of the proceeds of the bonds.

The MOF and CMD are focusing their joint efforts in two basic areas during 2001:

- Institutional development and training
- Legal and regulatory assistance

#### 1. Institutional Development and Training Assistance

##### 1.1 Develop Institutional Capacity of Debt Management Department

The MOF successfully priced and issued Egypt's debut sovereign bonds at the beginning of July, a major effort started in 2000. CMD Chief of Party Barry Gray, Money and Bond Markets Advisor John Noonan, and U.S. Treasury Advisor Keith Krchak (funded through USAID) assisted throughout the issuance process. As reported previously, the offering was heavily oversubscribed. The 7  $\frac{5}{8}$  percent five-year bond (\$500 million) yielded 275 basis points over the comparable U.S. Treasuries, and the 8  $\frac{3}{4}$  percent ten-year bond (\$1 billion) yielded 355 basis points over the comparable Treasuries. Until September 11, when it was affected by international events following the attacks on the United States, the issue traded above par. The lead managers reported that the Egyptian bonds have become the regional benchmarks.

In the third quarter, CMD followed up the issuance of the sovereign bonds with recommendations on an investment strategy for the proceeds. Our efforts in this area are confidential and, hence, cannot be discussed in this QPR.

#### Major Achievements: Third Quarter 2001

- Minister of Finance presented the structure of the primary dealer system to the Minister of Economy and Foreign Trade, CBE Governor, CMA Chairman, CASE Chairman, and chairmen of the four public-sector banks.
- Completed and delivered the decree for the creation of the primary dealer system and corresponding executive regulations.
- Drafted and delivered proposed new auction rules for Treasury bills (T-bills).
- Amended draft of the Government Securities Law.
- Conducted three workshops on the primary dealer system for representatives of the public-sector banks, and additional training for the staff of Banque du Caire.

## 1.2 Assist with the Creation of the Department of Primary Dealers and Auctions

CMD assisted MOF Debt Manager Ghada Moustafa with recruiting and interviewing candidates to head the MOF Department of Primary Dealers and Auctions. The Minister will conduct final interviews and select the manager in the fourth quarter.

## 1.3 Provide Training and Technical Assistance to Prospective Primary Dealers

### *Training for Prospective Primary Dealers*

Following a second-quarter workshop led by the World Bank and International Monetary Fund (cosponsored by USAID and the CMD project), CMD continued training for prospective primary dealers. At the request of the Minister of Finance, training this quarter focused on the four major public-sector banks — the National Bank of Egypt, Banque Misr, Bank of Alexandria, and Banque du Caire. Representatives from the banks attended three workshops. CMD conducted an additional workshop for 38 staff members at Bank du Caire and has been asked to give a workshop to the managers and staff of the National Bank of Egypt (see Box 1).

Additional workshops for potential primary dealers from the private sector are scheduled for the fourth quarter.

### *A Model Code of Ethics*

In the second quarter, a model code of ethics for primary dealers was submitted to the MOF by the Board of Directors of the Dealers' Association of Egypt. Completion of the task will follow the promulgation of the primary dealer decree and selection of the primary dealers.

### **Box 1** **Workshops for Public-Sector Banks**

In becoming primary dealers, banks and CMA-licensed bond dealers will assume a new role in the Egyptian financial market. With the new role will come new obligations with respect to underwriting and market making in government debt. This will require higher levels of risk taking than is now common for banks, as well as new organizational structures and management systems. The three workshops conducted by CMD at the request of the Minister of Finance were designed to help the state banks understand these activities, obligations, and requirements, allowing them to make an educated choice about whether to apply for primary dealer status.

During the workshops, the imminent creation of the primary dealer system was greeted enthusiastically by participants, but they also came to understand the significant managerial changes that will be required in the operation of their banks. CMD conducted a follow-up workshop for Banque du Caire and was asked to conduct a workshop on organizational structures and responsibilities for the National Bank of Egypt.

The workshops on primary dealers are being conducted by Money and Bond Markets Advisor John Noonan, who has more than 20 years experience organizing and managing (as head trader) primary dealer operations for major U.S.-based financial institutions.

## 2. Legal and Regulatory Assistance

### 2.1 Draft Ministerial Decree for the Creation of a Primary Dealer System

Based on an outline prepared by CMD and U.S. Treasury, the Minister of Finance presented the basic structure of the proposed primary dealer system to the Minister of Economy and Foreign Trade, CBE Governor, CMA Chairman, CASE Chairman, and the chairmen of the four major public-sector banks. All of the parties expressed their support for the creation of a primary dealer system with the structure proposed by the MOF (see Box 2).

Based on the outline, CMD and the U.S. Treasury drafted and delivered the decree for the creation of the primary dealer system, accompanying executive regulations, and new rules for auctioning T-bills. These documents have all been Arabized with the assistance of the MOF. We expect the Minister to issue the decree during the fourth quarter.

#### Box 2

##### Major Elements of the Primary Dealer System

The primary dealer system will be a major step for the Egyptian financial market. It will create an active (liquid) secondary market in government securities out of which a bench-mark yield curve for all Egyptian fixed-income instruments can evolve. As proposed, the new system has four major characteristics:

- A pre-announced schedule for the regular and consistent issuance of government debt
- A commitment from the primary dealers to bid in all primary offerings to cover 1.5 times the issue size
- Revised procedures that enable market forces to price issues during auctions
- Dealers who are obliged to actively make markets in new issues with each other and with their customers

While drafting the decree and executive regulations, we consulted closely with potential primary dealers from both the public and private sectors, as well as with the Minister of Finance and his staff. This level of coordination was undertaken to help ensure that the decree is received favorably in the market and that there will be a sufficient number of applicants for primary dealer status.

### 2.2 Facilitate Discussions About Regulatory Roles Regarding the Issuance and Trading of Government Securities

Through discussions between the Minister of Finance and CBE Governor in late 2000 and first-quarter 2001 — as well as the presentation to the Minister of Economy and Foreign Trade, CBE Governor, CMA Chairman, CASE Chairman, and the chairmen of the four major state banks (see MOF 2.1) — consensus was achieved on all of the major issues regarding regulatory roles and responsibilities for the issuance and trading of government securities. These discussions have yielded the following significant results:

- The MOF will organize and head the primary dealers in their underwriting and market-making capacity.
- Supervision of the sale of Government of Egypt securities to the public by bank primary dealers and CMA-licensed bond dealers will remain with their respective regulators.
- The CBE, with the active participation of the MOF, will conduct market-based auctions for bills and introduce, after appropriate legislative amendments, auctions for bonds.

- Treasury bills, and eventually Treasury bonds, will be included in the CBE's new electronic book-entry system (CBE 2.1), allowing delivery-versus-payment (DvP) settlement on the trade day (T+0).

### **MOF 2.3 Review Draft Government Securities Law**

CMD and U.S. Treasury amended a draft of the Government Securities Law. Due to legislative priorities, the Minister of Finance said the draft law will not be presented to the People's Assembly until Spring 2002.

The draft Government Securities Law is the main part of the debt law originally contemplated by the MOF and CMD. To facilitate faster passage and adapt to legislative priorities, the Minister of Finance asked CMD to remove a section on guarantees provided by the Government of Egypt.



## **SECTION VIII**

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### **Ministry of Economy and Foreign Trade**

CMD received the draft of the new Capital Market Law from the CMA at the end of 2000 and returned comments and recommendations in the first quarter. The MOEFT and CMA are currently revising the draft law. CMD expects to commence assistance on drafting executive regulations to the new law later in the year, after the draft law is revised by the CMA and MOEFT. Our efforts in this area are discussed in Section II, 3.1. The MOEFT, CMA, and MCSD are also finalizing the executive regulations to the Central Securities Depository and Registry Law (Law 93/2001), which we drafted in 2000. On behalf of MCSD, we reviewed the final version of the regulations, which we expect to be issued during the fourth quarter (see Section IV, subsection 3).

## **SECTION IX**

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### **Monitoring & Evaluation**

During 2001, CMD continues to monitor its progress along three dimensions — the work plan's major objectives, and our contract's intermediate results and long-range outcomes. The intermediate results and long-range outcomes were determined by USAID and designed to orient our work and evaluate our progress over the life of the project.

For each task in our 2001 Work Plan, we have specified objectives and corresponding milestones and indicators. The milestones and indicators are designed to capture both CMD's work to date and, more importantly, the impact of those efforts on our institutional partners' development.

As in previous years, CMD is focused on achieving the objectives in the work plan, rather than specific deliverables. Therefore, if circumstances require it, the deliverables may be changed or modified to accomplish our primary goal — helping our partner institutions realize the outcomes we have jointly developed. Such modifications will be coordinated with USAID and our institutional partner



## A. Summary of Tasks, Objectives, and Milestones/Indicators

### A1. Capital Market Authority (CMA)

#### CMA 1 Institutional Development and Training Assistance

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Improve market surveillance and enforcement	CASE 1.2	System for offline surveillance in place at CMA	<ul style="list-style-type: none"> <li>■ Procedures manual used by staff—<b>Completed.</b></li> <li>■ Reference manual used by staff—<b>Completed.</b></li> <li>■ Surveillance training for CMA staff—Postponed by NASD trainers, who were reluctant to travel in light of U.S. State Department travel advisories.</li> <li>■ Investigation training for CMA staff—Pending completion of initial training program.</li> </ul>
1.2	Improve approval process for new issues	CMA 2.1, CMA 3.3	Clearly defined, efficient, well-documented procedure for approving new issues	<ul style="list-style-type: none"> <li>■ Recommendations for improving procedures for approving new issues presented to CMA management—Carried over into 2002 in accord with CMA priorities. It will focus on reorganizing the CMA along functional lines. Short-term disclosure advisor scheduled for January 2002.</li> <li>■ Implementation of recommended changes to procedures—To be evaluated after the recommendations are presented.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.3	Improve the receipt, tracking, and distribution of periodic filings from issuers	CMA 2.2, CMA 3.3	Clearly defined, efficient, well-documented procedures for the receipt, tracking, and distribution of periodic filings from issuers	<ul style="list-style-type: none"> <li>■ Level 2 of process model describing current procedures for handling periodic filings—Carried over into 2002 in accord with CMA priorities. As with the previous task, it will focus on reorganization of CMA along functional lines.</li> <li>■ Recommendations for improvements to current procedures presented to CMA management—Pending completion of process model.</li> <li>■ Implementation of recommended changes to procedures—Pending completion of evaluation and recommendations.</li> </ul>
1.4	Increase the functional capacity and abilities of CMA staff	All CMA tasks	Expanded core of well-trained staff capable of effectively and efficiently carrying out responsibilities	<ul style="list-style-type: none"> <li>■ Assessment of program success and subjects learned through post-training interviews/surveys of selected candidates (both DT2 and project training)—To be evaluated at year-end, as training programs are completed.</li> <li>■ Closed Technical Roundtables—<b>New Initiative, Underway.</b> Conducted regular sessions with National Experts and senior staff on a variety of topics related to the CMA's operations and policies. To be continued throughout the year.</li> <li>■ Technical Reference Guide—<b>New Initiative, Underway.</b> Drafted technical reference guide for the CMA. To be delivered in fourth quarter.</li> </ul>

**CMA 2 Information Technology Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.1	Develop an automated system to track bond issue approval procedures	CMA 1.2, CMA 3.3	Automated system to track bond issue approval procedures.	<ul style="list-style-type: none"> <li>■ Functional design—To commence after approval of the requirements report, which was delivered to the CMA during the first quarter.</li> <li>■ Detailed design—To commence after completion of functional design report.</li> <li>■ Beta version of system—To commence after completion of detailed design report.</li> </ul>
2.2	Develop specifications for an electronic system to track the equity issuance process	CMA 1.3, CMA 3.3	Requirements and detailed specifications for an electronic system to track the equity issuance process	<ul style="list-style-type: none"> <li>■ Functional design—Pending completion of 2.1.</li> <li>■ Detailed design—Pending completion of 2.1.</li> </ul>
2.3	Procure and install server for the CMA website	CMA 5.3	Functional website server	<ul style="list-style-type: none"> <li>■ Specifications defined—<b>Completed.</b></li> <li>■ RFQ released—Scheduled for the fourth quarter</li> <li>■ Contract awarded—Scheduled for the fourth quarter.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.4	Develop and install document archiving system		Functioning electronic archiving system for CMA documents	<ul style="list-style-type: none"> <li>■ Review and sizing of existing CMA documents—<b>Completed.</b></li> <li>■ Design specifications and requirements—<b>Completed.</b></li> <li>■ RFP released—<b>Completed.</b></li> <li>■ Contact awarded—Scheduled for the fourth quarter.</li> <li>■ Hardware and software installed and operational—Scheduled for the fourth quarter.</li> </ul>

**CMA 3 Legal and Regulatory Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
3.1	Draft rules and regulations		Promulgation of new rules and regulations to strengthen regulatory framework of Egyptian capital markets	<ul style="list-style-type: none"> <li>■ Comments and recommendations on new Capital Market Law—<b>Completed.</b></li> <li>■ Finalization of regulations on brokers' net capital—<b>Underway.</b> The draft is currently being revised based on comments from the CMA management and CMD long-term staff.</li> <li>■ Finalization of regulations on margin trading—<b>Underway.</b> The draft is currently being revised based on comments from the CMA management and CMD long-term staff.</li> </ul>



No.	Task	Related Tasks	Objective	Milestones / Indicators
3.2	Develop the legal and regulatory framework for the Investor Protection Fund		Promulgation of a decree for the creation of an IPF	<ul style="list-style-type: none"> <li>■ Final decree based on CMA review of previously submitted draft—<b>Underway</b>. The draft is currently being revised based on comments from the CMA management and CMD long-term staff.</li> <li>■ Draft executive regulations—To be included in decree.</li> </ul>
3.3	Improve disclosure requirements		Implementation of international standards for disclosure	<ul style="list-style-type: none"> <li>■ Comprehensive recommendations for modifications to disclosure requirements—<b>Completed</b>.</li> <li>■ Draft of new disclosure rules/requirements—To be initiated after acceptance of the recommendations.</li> </ul>

**CMA 4 New Financial Instruments**

No.	Task	Related Tasks	Objective	Milestones / Indicators
4.1	Facilitate the introduction of new financial instruments	ECMA 4.1	Awareness among market participants of new financial instruments suitable for Egypt and the prerequisites for their introduction to market	<ul style="list-style-type: none"> <li>■ Background paper on new financial instruments appropriate for the Egyptian market—<b>Completed.</b></li> <li>■ Discussions about suitability and prerequisites of various new instruments (with local institutions)—<b>Completed.</b></li> <li>■ Distribution of information to issuers and market participants on specific instruments deemed most suitable for introduction—Fielding short-term advisor in fourth quarter or early 2002. Originally scheduled for September, but rescheduled due to September 11 attacks and aftermath.</li> </ul>

**CMA 5 Public Awareness and Outreach**

No.	Task	Related Tasks	Objective	Milestones / Indicators
5.1	Train financial journalists		Improved reporting on financial and capital markets.	<ul style="list-style-type: none"> <li>■ Forum sessions for financial journalists—<b>Underway</b>. Conducted the thirteenth session of the capital market press forum on minority shareholders' rights.</li> <li>■ Workshop on financial journalism—<b>Completed</b>.</li> <li>■ Overseas study tour for financial journalists (with DT2)—<b>First Iteration Completed</b>. Second iteration rescheduled to early 2002 due to September 11 attacks.</li> <li>■ Assessment of journalist training programs—To be conducted at year-end, after completion of the training programs.</li> <li>■ Internet clinic—<b>New initiative</b> scheduled to start in the fourth quarter.</li> </ul>
5.2	Develop publications to increase awareness of CMA role and responsibilities		Enhanced understanding among public of CMA's role	<ul style="list-style-type: none"> <li>■ Production and distribution of at least three brochures—<b>Underway</b>. First in a series of booklets on CMA procedures and a booklet on minority shareholders' rights printed and distributed.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
5.3	Improve press relations and public outreach capability	CMA 2.3	Improved capacity of CMA to effectively convey information to local and international media and public	<ul style="list-style-type: none"> <li>■ Upgraded content published on the CMA website—<b>Underway.</b> The website content is being regularly updated and new content on disclosure and CMA procedures has been added. Additional information is being added throughout the year.</li> <li>■ Written plan for future CMA outreach efforts— Scheduled the fourth quarter.</li> </ul>

**A2. Cairo and Alexandria Stock Exchanges (CASE)****CASE 1 Institutional Development and Training Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Assist with the development of a strategic plan		Two-year strategic plan for CASE	<ul style="list-style-type: none"> <li>■ Outline of strategic planning process and recommendations—<b>Completed.</b></li> <li>■ Strategic planning efforts initiated by CASE—On hold.</li> </ul>
1.2	Improve market surveillance and enforcement	CMA 1.1	Improved online market surveillance capacity at CASE	<ul style="list-style-type: none"> <li>■ Procedures manual used by staff—<b>Completed.</b></li> <li>■ Reference manual used by staff—<b>Completed.</b></li> <li>■ Training for CASE surveillance staff—Postponed by NASD trainers, who were reticent to travel in light of U.S. State Department travel advisories. Currently investigating alternative training solution.</li> </ul>

**CASE 2 Information Technology Assistance — Arabization of third user manual for trading system****CASE 3 Legal and Regulatory Assistance — Finalization of listing, membership, and board of directors rules**

**A3. Misr for Clearing, Settlement, and Depository (MCSD)****MCSD 1 Institutional Development and Training**

<b>No.</b>	<b>Task</b>	<b>Related Tasks</b>	<b>Objective</b>	<b>Milestones / Indicators</b>
1.1	Facilitate the Establishment of Forum on MCSD Operational Issues		Establishment of a forum composed of MCSD participants, management, and staff to discuss and identify solutions to operational problems	<ul style="list-style-type: none"> <li>■ Three meetings of MCSD management, staff, and participants—Cancelled. Functions of Participant Advisor Committee are currently being performed by Risk Management Committee.</li> </ul>
1.2	Develop Systems for Setting Fair and Reasonable Fees for Services		Establishment of reliable systems for setting fees for services	<ul style="list-style-type: none"> <li>■ Review of bond clearing fees—<b>Completed.</b></li> <li>■ Implementation of cost accounting system—<b>Underway.</b> Manual drafted. To be delivered in fourth quarter.</li> </ul>
1.3	Training MCSD Staff in Documenting Services and Systems		Ability to write clear, concise, and effective procedures	<ul style="list-style-type: none"> <li>■ Procedures writing training—<b>Completed.</b></li> <li>■ Computer system documentation training—<b>Completed</b></li> <li>■ Procedures writing initiated by MCSD—<b>Completed, procedures writing started by MCSD.</b></li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.4	Train Internal Auditors		Core group of well-qualified internal auditors	<ul style="list-style-type: none"> <li>■ Internal audit policy manual used by staff—<b>Completed.</b></li> <li>■ On-the-job training in internal audit—<b>Underway.</b> CMD subcontractor Zarrouk &amp; Khaled initiated on-the-job training in internal audit during the third quarter.</li> </ul>
1.5	Implement a Securities Lending and Borrowing (SLB) Service		Implementation of an SLB service	<ul style="list-style-type: none"> <li>■ Training in programming requirements for service—<b>Completed.</b></li> <li>■ Draft operational procedures for SLB service—<b>New Initiative, completed.</b></li> <li>■ Draft rules and contract for SLB service—On hold pending promulgation of the executive regulations to the new Central Securities Depository and Registry Law.</li> <li>■ Workshop materials on SLB service—<b>Completed.</b></li> <li>■ Launch of SLB service—To be scheduled by MCSD.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.6	Assist with the Development of the Registry Service		Development and implementation of central registry service	<ul style="list-style-type: none"> <li>■ Recommendations and implementation plan for developing registry service—<b>Completed</b>.</li> <li>■ Draft rules for the service—<b>Underway</b>. Initial outline of rules developed.</li> </ul>
1.7	Evaluate SGF Rule, Write Default Procedures, and Perform Default Simulation		Tested and refined SGF	<ul style="list-style-type: none"> <li>■ Evaluation of current rules and contribution levels and formula—To be initiated in fourth quarter.</li> <li>■ Written default procedures—To be initiated in fourth quarter.</li> <li>■ Test of default procedures—Rescheduled to 2002.</li> </ul>



**MCSD 2 Information Technology Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.1	Document Business Resumption Procedures		Documentation of procedures for MCSD to resume business in the event of disaster	<ul style="list-style-type: none"> <li>■ Examination of current procedures—<b>Completed</b>.</li> <li>■ Written procedures for business resumption—Rescheduled to early 2002 due to September 11 attacks. Originally scheduled for October.</li> <li>■ Test of new procedures—Rescheduled to 2002.</li> </ul>

**MCSD 3 Legal and Regulatory Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
3.1	Draft a Master Services Contract and Accompanying Rules for Services		An adequate contract between MCSD and its participants and related rules for services	<ul style="list-style-type: none"> <li>■ Draft master services contract, in standard form—<b>Underway</b>. Completion dependent on issuance of executive regulations to Central Securities Depository and Registry Law.</li> <li>■ Draft rules for services—<b>Underway</b>. Outline completed. Completion of rules dependent on issuance of executive regulations to Central Securities Depository and Registry Law.</li> <li>■ Implementation of contract and rules—Completion dependent on issuance of executive regulations to Central Securities Depository and Registry Law.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
3.2	Develop Employee Code of Conduct		Development and implementation of a code of conduct for MCSD employees	<ul style="list-style-type: none"> <li>■ Draft code of conduct—<b>Completed.</b></li> <li>■ Implementation of the code of conduct—To be evaluated after approval of the code of conduct.</li> </ul>
3.3	Add SRO Component to Board of Directors Initiation Package		Inclusion of information on self regulation in an initiation package for new members of the MCSD Board of Directors	<ul style="list-style-type: none"> <li>■ Information on self regulation—<b>Completed.</b></li> <li>■ Distribution of initiation package to board members—To be evaluated at year-end.</li> </ul>

**MCSD 4 Public Awareness and Outreach**

No.	Task	Related Tasks	Objective	Milestones / Indicators
4.1	Implement Communications Strategy		Implementation of communications strategy jointly developed by CMD and MCSD in 1999	<ul style="list-style-type: none"> <li>■ Publication of MCSD annual report—<b>Completed</b>.</li> <li>■ Publication of compendium of international standards—<b>Underway</b>. Draft compendium completed. To be revised and finalized for distribution in 2002.</li> <li>■ Publication of brochure on MCSD services— Pending issuance of executive regulations to the Central Securities Depository and Registry Law.</li> <li>■ Publication of FAQ for book-entry securities— Pending establishment of Central Registry Service.</li> <li>■ Training for communications specialist (and department)—<b>Underway</b>. Initial training sessions by short-term advisor completed. Additional training during October and November.</li> </ul>

**A4. Egyptian Capital Market Association (ECMA)****ECMA 1 Institutional Development and Training**

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Develop Plan for ECMA's Institutional Development		New organizational and membership structure for ECMA	<ul style="list-style-type: none"> <li>■ Background information on international practices in the securities industry presented to ECMA board of directors—<b>Completed.</b></li> <li>■ Proposed organizational structure, job descriptions, and qualifications for key positions—Rescheduled to 2002.</li> </ul>
1.2	Increase Knowledge of Operational Practices		Introduction of global practices in the securities industry	<ul style="list-style-type: none"> <li>■ Roundtable on the roles and responsibilities of compliance officers—<b>Completed.</b></li> <li>■ Consultations on margin and net capital rules—<b>Completed.</b></li> <li>■ Roundtable on Internet trading in global markets—Scheduled for the fourth quarter.</li> <li>■ Roundtable on shortening of the settlement period in global markets—Scheduled for the fourth quarter.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.3	Training for the Broker/Dealer Community (with DT2)		A core group of well-trained securities intermediaries	<ul style="list-style-type: none"> <li>■ Plan training plan for securities industry—<b>Completed.</b></li> <li>■ Overseas and local training programs for securities industry (conducted through DT2)—<b>Underway.</b> Study tour to Asia and United States completed.</li> </ul>

### ECMA 2 Public Awareness and Outreach

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.1	Develop and Conduct ECMA Forums	ECMA 1.2	A better understanding of specific capital market topics among ECMA members	<ul style="list-style-type: none"> <li>■ Five forum sessions on specific topics—<b>Underway.</b> First two forums conducted.</li> <li>■ Assessment of success of forum sessions—To be conducted after completion of the forum sessions.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.2	Develop Public Outreach Materials		Increased sources of information about investing and the capital markets for prospective investors and issuers	<ul style="list-style-type: none"> <li>■ Pilot for educational video series completed—<b>Completed.</b></li> <li>■ Remaining segments of educational video series completed and distributed—<b>Underway.</b> Taping for remaining six segments completed.</li> <li>■ Four introductory brochures on the capital market completed and distributed—<b>Underway.</b> Brochures 1, 2, and 3 completed and distributed. Brochures 4 due in October.</li> <li>■ Glossary of financial terms completed and distributed—<b>Underway.</b> Preliminary list of terms and definitions collected. To be completed after brochures and video series.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.3	Develop a Sustainable Website		Development and launch of a sustainable website	<ul style="list-style-type: none"> <li>■ Recommendations on site content—Scheduled for the fourth quarter.</li> <li>■ Site design and implementation plan—Scheduled for the fourth quarter.</li> </ul>

## A5. Egyptian Investment Management Association (EIMA)

### EIMA 1 Institutional Development and Training

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Assist EIMA with Organizational Development		An institutional development plan	<ul style="list-style-type: none"> <li>■ Background information on international practices in the securities industry presented to EIMA Board of Directors—Pending appointment of managing director.</li> <li>■ Proposed organizational structure, job descriptions, and qualifications for key positions— Pending appointment of managing director.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.2	Support Raising Professional Standards Among EIMA Members		Implementation of international standards in the investment management industry	■ Presentation of Egyptian Investment Performance Standards (EIPS) to the international board for approval—Pending approval of EIPS by the EIMA board.

**EIMA 2 Public Awareness and Outreach**

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.1	Assist with the Development of a Sustainable Website		Development of a sustainable website	■ Recommendations on audience and content of website—Pending appointment of managing director.



## A6. Central Bank of Egypt (CBE)

### CBE 1 Institutional Development and Training

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Facilitate the introduction of primary dealers and market-based auctions	MOF 1.1 MOF 1.2	Implementation of primary dealer system and market-based auctions	<ul style="list-style-type: none"> <li>■ Workshop on auction methods—Scheduled for the fourth quarter after finalization of new auction procedures.</li> <li>■ Workshop on primary dealer system—Scheduled for the fourth quarter.</li> <li>■ Draft new procedures for auctioning Treasury bills—<b>New initiative. Completed.</b></li> </ul>
1.2	Facilitate the introduction of new financial instruments	CMA 4.1 MOF 1.1	Introduce at least one new financial instrument during 2001	<ul style="list-style-type: none"> <li>■ Memorandum on reservable Treasury bills—<b>Completed.</b></li> <li>■ Memorandum on negotiable CDs—<b>Completed.</b></li> <li>■ Introduction of a new financial instrument into the Egyptian market—"Reservable" T-bills approved by CBE. While not a new instrument, it is a significant new use of an existing financial instrument.</li> </ul>

**CBE 2 Information Technology Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
2.1	Develop automated book-entry registry for government securities		Automated book-entry registry in place at CBE	<ul style="list-style-type: none"> <li>■ Evaluation of IMF book-entry registry—<b>Completed.</b></li> <li>■ Detailed design for custom registry—<b>Completed.</b></li> <li>■ Hardware procured—<b>Underway.</b> Development server procured, and specifications for main procurement developed. RFP to be released in the fourth quarter.</li> <li>■ Beta system completed—<b>Completed.</b></li> <li>■ User's guide completed—Scheduled for the fourth quarter.</li> </ul>

**CBE 3 Legal and Regulatory Assistance—as needed to support activities 1 and 2**

## A7. Ministry of Finance (MOF)

### MOF 1 Institutional Development and Training

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Develop capacity of Debt Management Department	CBE 1.1	Increased capacity of staff to perform key functions	<ul style="list-style-type: none"> <li>■ Training in issues related to bond issuance—<b>Completed.</b></li> <li>■ Assessment of abilities of MOF Debt Management staff—To be evaluated at year-end.</li> <li>■ Procedures manual—Rescheduled to 2002.</li> </ul>
1.2	Assist with Creation of Department of Primary Dealers and Auctions	CBE 1.1	Functional Department of Primary Dealers and Auctions	<ul style="list-style-type: none"> <li>■ Recommendations for organizational structure and staffing—<b>Underway.</b> Assisting with recruitment of manager for department.</li> <li>■ Procedures manual—Pending staffing of department.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.3	Provide training and technical assistance for prospective primary dealers		Trained core of primary bond dealers	<ul style="list-style-type: none"> <li>■ Understanding among dealers of roles and responsibilities—<b>Underway</b>. Three workshops conducted for public-sector banks and special workshop for Banque du Caire.</li> <li>■ Code of ethics for primary dealers—<b>Underway</b>. Code of ethics drafted and delivered. To be finalized after promulgation of primary dealer decree and selection of dealers.</li> <li>■ Procedures manual for primary dealers—Pending promulgation of decree and selection of primary dealers.</li> <li>■ Primary dealers established—Pending promulgation of decree.</li> </ul>

**MOF 3 Legal and Regulatory Assistance**

No.	Task	Related Tasks	Objective	Milestones / Indicators
3.1	Draft decree for creation of primary dealer system		Decree authorizing creation of primary dealer system	<ul style="list-style-type: none"> <li>■ Draft decree for review by MOF—<b>Completed</b>.</li> <li>■ Issuance of decree—Expected by year-end.</li> <li>■ Draft executive regulations to primary dealer decree—<b>New initiative. Completed</b>.</li> </ul>

No.	Task	Related Tasks	Objective	Milestones / Indicators
3.2	Identify regulatory roles regarding the issuance and trading of government securities		Clear delineation of responsibilities for the issuance of government debt and regulation of primary dealers	<ul style="list-style-type: none"> <li>Defined responsibilities for the issuance of government debt and regulation of primary dealers—<b>Completed</b>.</li> <li>Recommendations for amendments to existing law—<b>Completed</b>.</li> </ul>
3.3	Review draft public debt law		Finalized law on public debt	<ul style="list-style-type: none"> <li>Comments on draft law—<b>Underway</b> Law revised. To be finalized and submitted to People's Assembly in Spring 2002 in accordance with MOF's legislative priorities.</li> </ul>

## A8. Ministry of Economy and Foreign Trade (MOEFT)

### MOEFT 1 Legal and Regulatory Assistance

No.	Task	Related Tasks	Objective	Milestones / Indicators
1.1	Draft Executive Regulations to the New Capital Market Law		Draft executive regulations to the new Capital Market Law	<ul style="list-style-type: none"> <li>Comments and recommendations on new Capital Market Law—<b>Completed</b> (see CMA 3.1).</li> <li>Draft regulations—Pending finalization of law.</li> </ul>

## B. Intermediate Results

While all three USAID-defined intermediate results were exceeded by the end of 1999, CMD continues to monitor its progress in this respect during 2001. As noted in our previous work plans and quarterly reports, the intermediate results are indicators that reflect the size and activity of the market. While there is no *measurable* causal relationship between these indicators and the policy, regulatory, and institutional progress made by the Egyptian government and/or the project, progress in these areas has a positive, albeit *difficult-to-measure*, impact on market size and activity.

Prominent ongoing tasks that are likely to positively impact investor confidence and willingness to invest include (among others):

- Creation of a primary dealer system for government securities
- Creation of the Investor Protection Fund (IPF)
- Creation of a Central Registry Service
- Finalization of rules strengthening net capital requirements for brokerage firms
- Finalization of rules governing margin trading

The following is the status of CMD's intermediate results at the end the third quarter of 2001:

### B1. Value of Shares/Bond Traded

In the project's contract, the value of shares and bonds traded was projected to be LE15 billion in 1998, with LE25 billion established as the intermediate result for the value of trading in listed and over-the-counter (OTC) stocks and bonds to be achieved by 2001. During 1999, trading value was LE39 billion, up from LE23 billion in 1998. In 2000, the Egyptian capital market saw total trading valued at LE49.5 billion, almost double the intermediate result.

During first three quarters of 2001, the value of shares and bonds traded was LE22.6 billion, significantly lower than the LE40.6 billion traded in the first three quarters of 2000.

## **B2. Volume of Trading**

CMD's contract projects the volume of trading in 1998 at 400 million shares and establishes a trading volume of 600 million shares as the intermediate result to be achieved in 2001. In 1999, market volume was 1.1 billion, and, in 2000, volume rose to 1.3 billion shares, more than double the intermediate result.

During the first three quarters of 2001, the volume of shares and bonds traded was 938 million, 170 million more than the 768 million traded in the first three quarters of 2000.

## **B3. Market Capitalization**

CMD's contract baselines market capitalization at LE70 billion in 1998 and establishes LE100 billion as the intermediate result to be achieved in 2001. At the end of 1999, market capitalization stood at LE112 billion, up from LE83 billion at the end of 1998. At the end of 2000, market capitalization was LE119.8 billion, and, at the end of the third quarter of 2001, market capitalization was LE113.1 billion.

## **C. Long-Range Outcomes**

The long-range outcomes are also defined by USAID. By the end of 2000, CMD had achieved significant progress in each of these areas. The project's long-range outcomes are:

### **C1. A well-developed and fully integrated stock exchange with back-up system, online surveillance capacity, and an increased trading capacity of over 20 times present capacity.**

CASE launched the new trading system in second quarter 2001, and it was functioning effectively at the end of the reporting period. The new system is running on hardware provided by the project in 1999 and early 2000. CASE contracted for the software before CMD's inception. The new trading system is able to handle more than 50,000 transactions per day, approximately 18 times the exchange's daily average in 1998. The new hardware also provides for a "hot" backup system, designed to step in seamlessly in the event of a system failure; a "warm," disaster-recovery system, which can also be used for training purposes; and new communications servers to handle increased network traffic.

CMD plans to conduct extensive training for the CASE and CMA surveillance staffs. This training will improve the surveillance analysts' capacity to review alerts generated by CASE stock-watch system and to conduct investigations.

**C2. Improved national clearing, settlement, and depository systems in place with increased capacity, performance, back-up security, and reliable communications.**

CMD helped upgrade MCSD's networks and servers. During first quarter 2001, we delivered network management software, the last procurement in our original plan for MCSD. Earlier improvements to MCSD's systems included equipment to upgrade its main servers, software and hardware for a firewall security system, and technical assistance "tuning" the network (improving performance) and evaluating security measures. We are currently helping MCSD develop documentation for its computer systems.

**C3. A cadre of trained regulators and securities market analysts, technicians, and executives.**

CMD has conducted extensive training programs for each of its institutional partners over the life of the project. These includes more than 16,922 person-hours of customized workshops and on-the-job training and 55,885 person-hours of formal training through the DT2 project and the Center for Adult and Continuing Education (CACE), a division of the American University in Cairo (AUC). These programs will continue throughout 2001. See the institutional sections of this report and Appendixes A and B for a complete list of CMD's training programs.

**C4. A cadre of certified brokers.**

Responsibility for broker registration currently rests with the CMA. With the development of CASE as an SRO (and possibly ECMA), some of this responsibility may be delegated. While these options are being discussed by our institutional partners, we are working with ECMA and EIMA to strengthen their training capacity. In 2001, these efforts include recommendations on developing ECMA's organizational structure, including its training department and course offerings, and assistance to EIMA with the establishment of a certification program for investment fund managers. The certification course will start, with the assistance of USAID and DT2, in October.

We have also expanded our training programs for the broker dealer community with a forum on specific topics (e.g., the roles and responsibilities of compliance officers and investor relations departments) and study tours and other training programs conducted through the DT2 project.

**C5. Stronger and well-developed self-regulatory organizations (SROs).**

In 1999, CMD worked with its institutional partners to introduce the concept of SROs into the Egyptian market and determine the legal and regulatory conditions for their creation. By the end of 1999, CMD's efforts resulted in agreement on the part of the CMA management to help CASE, MCSD, and possibly ECMA move towards SRO status (see previous QPRs). This view is confirmed in the CMA's Annual Report for 2000, which specifically notes the authority's commitment to the creation of SROs in Egypt along the lines recommended by the International Organization of Securities Commissions (IOSCO).



The draft of the new Capital Market Law contains minimal provisions for the creation of SROs. In the context of its comments on the law, CMD recommended that the SRO provisions be extended and strengthened. We will monitor progress in this area over the remainder of the life of the project.

While the law is being finalized, we continue to work with our institutional partners to strengthen their capacity to assume SRO-like responsibilities. In particular, we recently drafted information on SROs for inclusion in an initiation package for MCSD board members and are working with the ECMA board of directors to determine the prerequisites for the association's possible evolution into an SRO. These efforts complement those of 1999 and 2000, which included working with CASE to draft new membership, listing, and board of directors rules, and extensive organization development and legal assistance to MCSD (see previous QPRs).

#### **C6. Improved securities industry legal and regulatory environment.**

Since its inception, CMD has worked closely with its institutional partners to strengthen the legal and regulatory framework underpinning the capital market. These efforts included assistance finalizing the Central Securities Depository and Registry Law (Law 93/2000); drafting a full set of draft executive regulations to accompany Law 93/2000; developing new membership, listing, and board of directors rules with CASE; drafting regulations covering insider trading, price manipulation, and selective disclosure; and developing a decree permitting dealer-based trading in corporate and government bonds. In 2001, we commented and made recommendations on the draft of the new Capital Market Law, and continued working closely with the CMA to finalize new rules covering net capital requirements for brokers and margin trading. The CMD and CMA are also finalizing a decree for the creation of the Investor Protection Fund (IPF).

This quarter, we drafted and delivered a decree and corresponding executive regulations for the creation of a primary dealer system and revised the draft of a new law covering government securities.

#### **C7. A CMA system that provides for electronic data gathering, filing, and retrieval of enterprises' financial reports.**

During 1999, CMD generated consensus at the CMA about the desirability of establishing a system for filing and retrieving enterprises' financial reports. In 2000, we delivered a comprehensive requirements reports for such a system and started developing its initial component — an electronic system to track the CMA's procedures for approving new bond issues. We are working on the first component in 2001 and plan to start development of the second. We are also procuring a data archiving system for the CMA, which will be installed by year-end.

**C8. A CASE market information system that supplies investors, traders, advisors, and others with necessary market information to formulate trading decisions.**

CASE has developed a system for distributing market information to investors, traders, advisors, and others, including regulators. Initial investigations show that this system is functioning effectively.

**C9. A coordinated public education and awareness program.**

CMD has worked with market institutions to develop integrated communications strategies over the life of the project. We helped launch a daily stock market closing report during the first quarter of 2000 and continue to assist periodically with the nightly financial news segment. We are also completing an integrated set of educational brochures and videos to introduce potential investors to the Egyptian capital market and the investment options it provides. To date, we have completed and distributed the first three educational brochures and completed the pilot for the educational video series. We have also completed taping for six additional episodes of the video series. These initiatives will be completed by year-end.

For financial journalists, CMD extended its programs to include a 12-session workshop on international financial journalism and the first iteration of a major study tour to publications, media outlets, and market institutions in the United States. These efforts build on extensive efforts over the life of the project, including 13 sessions of the Capital Market Press Forum and two courses on financial markets provided in 2000 through the DT2 project. In the fourth quarter, we will launch an Internet clinic for financial journalists.

## APPENDIX A

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### Non-DT2 Training Activities

The following tables summarize CMD's non-DT2 training activities during 2001. The project's DT2-sponsored activities are discussed in the institutional sections of this report and summarized in Appendix B.

#### Summary of Non-DT2 Training: 2000/2001

	Programs	Attendees*	Person-Hours
Third Quarter 2001	11	176	1,143
Second Quarter 2001	12	130	3,312
First Quarter 2001	6	60	1,201
2001 Total	29	366	5,656
2000 Total	32	485	5,238
1999 Total	31	483	6,028
<b>Life-of-Project</b>	<b>92</b>	<b>1,334</b>	<b>16,922</b>

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\* "Attendees" only includes participants from our partner institutions and market participants. It does not include CMD staff members who attended the training sessions nor does it include USAID representatives.

## Non-DT2 Training Programs: Third Quarter 2001

	Title & Description	Duration	Attendees	Person-Hours
Third Quarter 2001	<i>Computer Systems Documentation Workshop:</i> CMD Senior Systems Analyst Ibrahim Sabri conducted 12 sessions of a workshop for MCSD participants, teaching them how to develop standard documentation of MCSD's computer systems.	12 sessions, 2 hours/each	10	240
	<i>ECMA Forum on Investor Relations:</i> CMD Short-term advisor Chris Colford (from subcontractor Hill & Knowlton) led a forum for ECMA members on the importance of investor relations in publicly traded companies. The presentation emphasized the long-term benefits of information disclosure.	1 session, 4 hours	30	120
	<i>Bond Pricing Roundtable:</i> CMD Money and Bond Markets Advisor John Noonan delivered a presentation to the CMA National Experts on the pricing of bonds.	1 session, 2 hours	5	10

	<b>Title &amp; Description</b>	<b>Duration</b>	<b>Attendees</b>	<b>Person-Hours</b>
<b>Third Quarter 2001 (cont'd)</b>	<i>Primary Dealer Roundtable:</i> CMD Money and Bond Markets Advisor John Noonan conducted a roundtable for the CMA National Experts on primary dealers. Noonan focused on the pricing of bills and bonds by free market auctions as a necessary component to establishing a yield curve and active secondary trading.	1 session, 2 hours	5	10
	<i>MCSD Registry Service:</i> Representative from CMD's subcontractor Mellon Consulting conducted a presentation on the central registry service and important considerations in its development. Another presentation was conducted on best practices and means to design an efficient registry system.	2 sessions, 2 hours/each	35	140
	<i>Primary Dealer Roundtable:</i> At the request of the Minister of Finance, CMD Money and Bond Markets Advisor John Noonan and CMD COP Barry Gray conducted a roundtable on the primary dealer system and the obligations of primary dealers for public-sector banks.	2 sessions, 2 hours	14	56
	<i>Mergers &amp; Acquisitions:</i> CMD Securities Industry Advisor Jun Labadan delivered a presentation on U.S. regulations governing tender offers and mergers and acquisitions to the CMA National Experts.	1 session, 2 hours	2	4
	<i>MCSD Internal Audit:</i> CMD subcontractor Zarrouk, Khaled, and Co. conducted on-the-job training for MCSD internal auditors on financial and administrative audits.	12 sessions, 2 hours/each	5	120

	<b>Title &amp; Description</b>	<b>Duration</b>	<b>Attendees</b>	<b>Person-Hours</b>
<b>Third Quarter 2001 (cont'd)</b>	<i>Primary Dealer Training:</i> CMD's Money and Bond Markets advisor John Noonan conducted a third roundtable on the executive regulations of the primary dealer decree for representatives of state banks.	1 session, 3 hours	17	51
	<i>Primary Dealers:</i> CMD's Money and Bond Markets advisor John Noonan delivered a presentation to Banque du Caire staff on the primary dealer system.	1 session, 4 hours	38	152
	<i>Technical Writing Training:</i> CMD's short-term advisor Samer Badawi delivered workshops for MCSD employees on technical writing, specifically on external operational procedures.	4 sessions, 4 hours/each	15	240
<b>Total—Third Quarter 2001</b>			<b>176</b>	<b>1,143</b>

## APPENDIX B

### DT2 and AUC-CACE Training Activities: First through Third Quarters 2001

Completed Courses (to date)		Number of Participants						Hours/ day	Days	Total hours	Person- hours
Program	Date	CASE	CBE	CMA	ECMA	MCSD	Total				
<b>Total DT2 Funded Training (1999)</b>	<b>1999</b>	<b>21</b>	<b>15</b>	<b>22</b>	<b>1</b>	<b>17</b>	<b>76</b>	<b>46</b>	<b>115</b>	<b>584</b>	<b>5,137</b>
<b>Total DT2 Funded Training (2000)</b>	<b>2000</b>	<b>30</b>	<b>45</b>	<b>114</b>	<b>0</b>	<b>88</b>	<b>277</b>	<b>110</b>	<b>278</b>	<b>1,340</b>	<b>17,278</b>
Certificate in Internet & Intranet Computing (AUC)	Jan-01					1	1	ongoing	ongoing		
Advanced Accounting Certificate (AUC)	Jan-01				1		1	ongoing	ongoing		
Capital Market Rules & Regulations (Harvard local)	Jan-01			4			4	8	10	80	320
Axent Raptor Firewall 6.0-Administration	Jan-01			3		5	8	4	10	40	320
Axent Raptor Firewall 6.0-Advanced	Jan/Feb-01			3		5	8	4	10	40	320
Solaris Systems Administration I	Jan-01			3		5	8	4	4	16	128
Fundamentals of Solaris	Jan-01			3		5	8	4	4	16	128
Introduction to Oracle SQL	Jan-01		10				10	4	12	48	480
Triggers & Procedures for Oracle SQL	Jan-01		10				10	8	4	32	320
Developer 2000: Forms I	Feb-01		10				10	4	11	44	440
Cisco Internet Works and Trouble Shooting	Feb-01					5	5	4	5	20	100
BSMSN- Building Cisco Multilayer Switched Net.	Feb-01					5	5	4	4	16	80
Developer 2000: Forms II	Mar-01		10				10	4	8	32	320
Developer 2000: Reports	Mar-01		10				10	4	12	48	480
Capital Market Development (NYIF)	Feb/Mar-01	2					2	8	10	80	160
Managing Capital Flows & Monetary policy	Mar-01		1				1	8	4	32	32
CMA NYIF Program "Project Finance" (USA)	Mar-01			2			2	8	4	32	64
Brokerage Operations (Arab Academy of Jordan)	Mar-01			6			6	4	10	40	240
NYIF Program "Fixed Income Securities" (USA)	May-01			2			2	8	9	72	144
NYIF Program "Securities Analysis" (USA)	Jun-01			2			2	8	10	80	160
Overseas Journalism study tour	Jun-01			17			17	8	14	112	1,904
Overseas ECMA study tour	Jun-01				3		3	8	14	112	336
NYIF Program "Securitized Products I&II" (USA)	Jul-01			2			2	8	14	112	224
Win 2000 Network & Op Systems / Microsoft Exchange 5.5	Aug-01		8					8	ongoing	216	1,728
Windows 2000 and Oracle Database Administration & Tuning	Aug-01			3		3	6	ongoing	ongoing	272	1,632
Advanced Corporate Finance & Valuation (3rd iteration)	Sep-01	8		6		6	20	5	10	50	1,000
Illinois Institute of Technology (on-line Certification program)	Sep-01					5	5	ongoing	ongoing		
<b>Total DT2 to Date</b>		<b>61</b>	<b>119</b>	<b>192</b>	<b>5</b>	<b>150</b>	<b>519</b>	<b>293</b>	<b>586</b>	<b>3,566</b>	<b>33,470</b>
English Language Training - AUC-CACE (2000)		<b>19</b>	<b>24</b>	<b>18</b>	<b>2</b>	<b>20</b>	<b>83</b>	<b>9</b>	<b>135</b>	<b>405</b>	<b>11,205</b>
English Language Training - AUC-CACE	Winter-00-01	5	7	10		10	32	3	45	135	4,320
English Language Training - AUC-CACE	Summer-01	1	6	7		8	22	3	45	135	2,970
English Language Training - AUC-CACE	Fall-01	5	1	18	0	5	29	3	45	135	3,915
<b>Total AUC-CACE to Date</b>		<b>30</b>	<b>38</b>	<b>53</b>	<b>2</b>	<b>43</b>	<b>166</b>	<b>18</b>	<b>270</b>	<b>810</b>	<b>22,410</b>
<b>Total Life of Project to Date (AUC &amp; DT2)</b>		<b>91</b>	<b>157</b>	<b>245</b>	<b>7</b>	<b>193</b>	<b>685</b>	<b>311</b>	<b>856</b>	<b>4,376</b>	<b>55,885</b>

## APPENDIX C

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### Project Produced Reports

To date, the project has produced a number of reports, in both Arabic and English. Several of these reports were prepared during the work planning process as a way of introducing concepts and proposing action plans. Other reports were prepared as preliminary discussion documents and serve as a first step toward the completion of future deliverables.

#### Project Produced Reports: Through Third Quarter 2001

Title	Date	Language
Enhancing and Enforcing Disclosure Requirements	September 2001	English
CMD Quarterly Progress Report: Second Quarter 2001	July 2001	English
Bankruptcy and the Capital Market: Phase Two	June 2001	English
Delivery Versus Payment Assessment: Part II	May 2001	English
Delivery Versus Payment Assessment: Part I	May 2001	English
CMA Quarterly Progress Report: First Quarter 2001	April 2001	English
CMD Work Plan 2001 (Final Version)	April 2001	English/Arabic
Negotiable Certificates of Deposit (background paper)	March 2001	English
Internal Audit Policy Manual	March 2001	English
Comments, Questions and Proposals on the Draft of the New Capital Market Law	March 2001	English
Market Surveillance and Enforcement Program: Training Plan	March 2001	English
Surveillance Reference Manual	February 2001	English
Surveillance Procedures Manual	February 2001	English/Arabic
CMD Quarterly Progress Report: Fourth Quarter 2000	January 2001	English
Surveillance and Enforcement Program: Evaluation and Recommendations	January 2001	English
CMD Work Plan 2001 (Discussion Draft)	December 2000	English
CMA Process Model: Level 2	December 2000	Arabic
Margin Trading Rules and Net Capital Rules: Executive Summaries for Discussion	October 2000	English/Arabic
Decree for the Creation of an Investor Protection Fund	October 2000	English/Arabic
Elements of an Investor Protection Fund in Egypt	October 2000	English
CMD Quarterly Progress Report: Third Quarter 2000	October 2000	English
Methods of Increasing Public Awareness of Investing	September 2000	English/Arabic



<b>Title (cont.)</b>	<b>Date</b>	<b>Language</b>
MCSD Securities Lending and Borrowing Service: Status Report	September 2000	English
Electronic Data Gathering and Retrieval: System Requirements Report	July 2000	English/Arabic
CMD Quarterly Status Report: Second Quarter 2000	July 2000	English
Bankruptcy Law and the Capital Market: An Assessment	June 2000	English
CMD Quarterly Status Report: First Quarter 2000	April 2000	English
Securities Lending and Borrowing—Discussion Paper	February 2000	English/Arabic
Private Equity Investing: Venture/Development Capital Funds and Turnaround Funds	February 2000	English/Arabic
Level One of the CMA Process Model	February 2000	Arabic
Recommendations on the Development of Egypt's OTC Market	February 2000	English
CMD Quarterly Progress Report: Fourth Quarter 1999	January 2000	English
CMD Year-2000 Work Plan	December 1999	English/Arabic
Preparing and Producing MCSD's 1999 Annual Report	December 1999	English
Proposal for a Stock Market Game	December 1999	English
Draft Regulations for Central Depository and Registry Law	December 1999	English/Arabic
Proposal for a Fair and Reasonable Fee Structure	November 1999	English/Arabic
Investment Securities—Legal Workshop Materials	November 1999	English
Improving Reporting on Investment Funds in Egypt	November 1999	English
International Securities Numbering System (ISIN)	November 1999	English
A Proposal for Improving Broker Compliance Procedures	November 1999	English/Arabic
Unit Investment Trusts—Background Paper	October 1999	English/Arabic
A Proposal for Registering Securities Sales Representatives.	October 1999	English
Independent Credit Ratings: Needs and Demands of the Egyptian Market	October 1999	English
CMD Quarterly Progress Report: Third Quarter 1999	October 1999	English
A Communications Strategy for MCSD	September 1999	English
Training-of-Trainers Workshop for ECMA	August 1999	English
Training in Capital Markets: Current Practices, Recommended Products, and Possible Directions for CASE.	August 1999	English
Recommendations on Information Display Devices	August 1999	English

<b>Title (cont.)</b>	<b>Date</b>	<b>Language</b>
CMD Quarterly Progress Report: Second Quarter 1999	July 1999	English
MCSD 1998 Annual Report	July 1999	English/Arabic
MCSD Organizational Structure, Functional Statements, and Job Descriptions	June 1999	English/Arabic
A Proposal for Developing a Market Surveillance Program	June 1999	English/Arabic
Government Securities Book-Entry System: System Requirements Report	June 1999	English/Arabic
CMA Annual Report	May 1999	English/Arabic
A Comparison Between Egyptian and International Accounting Standards	April 1999	English/Arabic
CMD Quarterly Progress Report: First Quarter 1999	April 1999	English
Survey of Regulations Pertaining to Credit Rating and Rating Agencies	April 1999	English
A Primer on New Financial Instruments	April 1999	English/Arabic
An Update of the CMD Project's Market Surveillance Activities	April 1999	English
Code of Conduct Recommendations for ECMA	February 1999	English/Arabic
CMD Quarterly Progress Report, Fourth Quarter 1998	January 1999	English
Establishing a Settlement Guarantee Fund in Egypt	December 1998	English/Arabic
Developing a Book-Entry System in Egypt	December 1998	English/Arabic
Self Regulation, Market Surveillance, and Codes of Conduct	December 1998	English/Arabic
Projects to Facilitate the Introduction of Local Credit Ratings	December 1998	English
Proposed Television and Internet Activities	December 1998	English
CMD Project First Annual Work Plan	December 1998	English/Arabic
An Integrated Communications Strategy	November 1998	English
Training Recommendations on the First Year Work Plan	November 1998	English
Media Recommendations on the First Year Work Plan	November 1998	English

## APPENDIX D

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### Summary of Reports: Third Quarter 2001

#### *Enhancing and Enforcing Disclosure Requirements:*

September 2001, English, CMD Senior Regulatory Advisor to the CMA Michael Porter  
Institutional Partner: CMA

The CMA drafted report, "Enforcing and Enhancing Disclosure Requirements," states that disclosure is the most important element in a modern capital market and that the most important role of a regulator with respect to issuers is ensuring that they make full and fair disclosure of material information concerning their business and financial situation.

Disclosure consists of two elements: financial and non-financial. The accounting and auditing standards a country uses to govern financial disclosure. Egypt has Arabized some of the International Accounting Standards (IASs) but not all of them, and CMD recommends that the CMA amend the annexes of the Executive Regulations under the Capital Market Law No. 95 or 1992 to be consistent with IAS. For non-financial disclosure, CMD recommends that Egypt adopt the International Organization of Securities Commission (IOSCO) standards for prospectuses and periodic reports filed by issuers.

Of equal importance to the initial disclosure made by the issuer is disclosure in periodic reports, as this is the only way security holders and the market are kept informed of the condition, financial and otherwise, of the issuer. A portion of our recommended changes suggest periodic reports be changed to so that audited financial statements are required only in annual reports.

The report's findings are based on CMD's work on disclosure over the life of the project. They were compiled by Senior Regulatory Advisor Michael Porter. The recommendations will be presented to the CMA management in the fourth quarter.